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Development and Trade in South America

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COVER: Many of the South American countries covered in this issue depend heavily on exports of one or two agricultural products to bring in the foreign exchange they need to finance import trade. One example is Brazil, where coffee dominates exports. These coffee beans are drying in the warm sun in the State of Parana in Southern Brazil and "lavradores" are raking and turning them.

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COMING: EXPO PLANS FOR THE BUSINESSMAN, FEBRUARY 5 ISSUE

Promoting Trade with South America

Canadian exports to South America are rising steadily, with a marked increase last year. The ten individual markets offer varying opportunities and the Department of Trade and Commerce provides a variety of services, both at home and abroad, for Canadians who want to sell their products in any or all of them.

D. C. KNOWLES, *Latin American Division, Office of Trade Relations.*

THE YEAR 1965 witnessed a number of developments of interest to Canadian trade with South America. Foremost among these was Venezuela's declaration of intention to join the Latin American Free Trade Association. This declaration was underlined by the presence of a Venezuelan minister at the meeting of the LAFTA foreign ministers in Montevideo early in November. This was the first LAFTA Foreign Ministers' Conference since

the organization was established in 1960. Although the conference produced no startling new initiatives, it emphasized the commitment of the individual countries to the principle of the organization and considered some of the problems facing it. The annual tariff-negotiating conference of the association followed.

The year was also marked by a number of important changes in the basic framework of trade as individual countries continued to work toward sustained economic growth. Currency reforms and revaluations were announced in Argentina, Brazil, Chile and Uruguay. New tariffs were introduced in Ecuador and Argentina and major revisions of the import regime made in Brazil, Colombia and Uruguay. In addition, both Brazil and Chile made notable advances toward restraining inflation that is hampering the drive towards stable economic growth.

Canadian trade with South American countries is expanding every year. Exports to the region totalled \$171.8 million in 1964, a small gain of \$4 million over the previous year. In contrast, however, the total for the first nine months of 1965 was \$10 million higher than for the same period of 1964. (See Table I.) Imports from South America in 1964 reached a record \$351.7 million, up \$38.5 million over 1963. This rate of increase slowed somewhat in the first half of 1965 when imports reached \$166.5 million, only \$9.4 million higher than in the same period in 1964. (See Table II.)

Ten Separate Markets

It is somewhat misleading to use the total figures noted above because it implies that South America

South American Foreign Trade

	Imports		Exports	
	1963	1964	1963	1964
	(millions of U.S.\$)			
Argentina	981	1,077	1,365	1,410
Bolivia	98	97	66	86
Brazil	1,487	1,263	1,406	1,433
Chile	637	609	540	623
Colombia	506	586	446	537
Ecuador	129	169	149	148
Paraguay	152	191	40	50
Peru	553	571	540	666
Uruguay	177	198	165	179
Venezuela	950	1,155	2,629	2,740
Total	5,670	5,916	7,346	7,872

Source: IMF—"International Financial Statistics"

is a single market. Nothing could be further from the truth. The countries of South America differ widely in topography, size, climate, population, and social and economic development. Indeed, these conditions often vary within a single country, resulting in two or three completely different markets. Annual Canadian exports to these various countries range from well over \$60 million down to only \$500,000. In comparison with total imports of these individual countries, these amounts often appear small. Careful analysis, however, reveals that a substantial proportion of these imports are not open to Canadian exporters. Many Latin American countries depend heavily on imports supplied under special arrangements. These include gifts of food, assistance for social and economic development projects, technical and material aid, goods from neighbouring countries granted preferential treatment under the Latin American Free Trade Association, and products purchased with long-term aid. The net effect of these arrangements is to reduce the size of the market in which normal commercial criteria—such as price, quality and delivery—are the major determining factors. Nevertheless, there are substantial and expanding opportunities for Canadian products in South America and these opportunities broaden as the economies of the individual countries expand.

Trade Commissioners Serve You

Canadian efforts to share and assist in the development of South American markets are constant and continuous. At the present time, there are some 15 officers of the Trade Commissioner Service stationed in eight strategically located posts in the major marketing areas of South America. These Trade

Commissioners travel extensively in the territory to which they are assigned, seeking new markets for and promoting Canadian products and maintaining close liaison with businessmen, government officials, and trade associations. In addition, they feed a regular supply of information on current economic and trade conditions to the Office of Trade Relations and to *Foreign*

Trade in Ottawa, and so to Canadian exporters.

Trade Missions Promote Sales

In addition to the day-to-day watch over these markets maintained by the Trade Commissioners stationed in South America, special trade missions are dispatched there from time to time. These missions, made up of representatives of a

Table I
Canadian Exports to South America

	1962	1963	1964	Jan.-Sept.	
				1964	1965
	(Can.\$'000)000)				
Argentina	22.5	37.0	26.9	19.8	24.6
Bolivia	.4	.6	1.0	.7	1.4
Brazil	28.5	29.4	23.0	18.6	13.5
Chile	13.3	12.3	12.9	8.8	8.0
Colombia	19.9	23.3	21.3	15.7	12.1
Ecuador	3.8	3.9	5.7	3.8	3.7
Paraguay		.2	.5	.5	.1
Peru	8.1	11.6	10.7	7.8	15.0
Uruguay	3.2	3.0	5.7	2.9	1.9
Venezuela	42.3	46.3	64.1	45.4	54.1
Total	142.0	167.8	171.8	124.1	134.4

Table II
Canadian Imports from South America

	1962	1963	1964	Jan.-June	
				1964	1965
	(Can.\$'000)000)				
Argentina	5.6	5.4	5.9	3.2	2.6
Bolivia	1.0		.3	.1	.2
Brazil	31.6	36.4	39.5	18.8	14.5
Chile	1.1	1.3	1.8	1.0	1.1
Colombia	15.7	13.6	14.9	6.1	7.1
Ecuador	8.6	7.6	9.4	4.4	3.8
Paraguay	.4	.8	.5	.3	.2
Peru	3.2	3.8	7.8	1.9	4.9
Uruguay	.8	.9	1.0	.6	.3
Venezuela	224.3	243.5	270.6	130.1	122.4
Total	292.3	313.2	351.7	166.5	157.1

Source: DBS



This purebred Canadian Hereford bull has just arrived in Valparaiso, Chile, from Vancouver, Canada, accompanied by (right) Vern Ellison, past president of the Canadian Hereford Association. On hand to greet them when the vessel docked was (centre) Zen Burianyk, the Assistant Commercial Secretary at the Canadian Embassy. The bull was one of the 897 head shipped.

Canadian industry, probe the market in depth and bring back an intimate knowledge of conditions and markets as these pertain to their products. Three of these missions toured parts of South America in 1964 and 1965 seeking new and expanded opportunities for Canadian products and making known that Canada can supply them. These missions were mounted in consultation with the Trade Commissioners in order to ensure that such sales are possible and that the members of the mission use their time effectively. The fields they covered included fish and food plant equipment, mining machinery and equipment, and a wide range of products produced by the Canadian aeronautical industry. In addition to these federal missions, a number

of provincially sponsored missions have also toured parts of Latin America seeking opportunities for industries located in their provinces.

A variation of the trade mission technique of export promotion is bringing selected foreign buyers to Canada to see our production facilities. In particular, South American purchasers of livestock and seed potatoes have been brought to Canada on purchasing and inspection tours. It is interesting to note that South American groups have undertaken similar tours and the Department is able to give advice and guidance to these self-sponsored missions and so contribute to their success. (Copies of the reports of the officially sponsored trade missions may be obtained from the Trade Fairs and Missions Branch of the Department.)

Services in Ottawa

The promotion of Canadian exports in the markets of South America by Trade Commissioners and by trade missions is supported by other services of the Department of Trade and Commerce in Ottawa. The Latin American Division of the Office of Trade Relations can provide information about the terms of access to these markets—that is, on tariffs and other charges and on trade and economic conditions. The Transportation Division can supply shipping information. The Commodities and Industries Service of the Department provide background information on Canadian industries to aid the Trade Commissioners in channelling inquiries from South American importers to appropriate Canadian exporters. In addition, the

Commodity Officers seek out new products which may be saleable in South America and bring them to the attention of the Trade Commissioners.

The Trade Publicity Branch prepares the attractive brochures and pamphlets which accompany trade missions and which are left with potential South American customers to remind them of the goods and services that Canadian firms can provide. In 1965 the Branch pub-

lished the first Spanish language edition of *Canada Courier*, entitled *Correo Canadiense*. Some 7,000 copies of this eight-page trade-promotion tabloid newspaper were distributed throughout Spanish America, carrying news of Canadian products and industrial achievements. Future Spanish editions are planned and the editor will be pleased to consider material from Canadian exporters for inclusion in these numbers.

In addition to these services, Canadian exporters are served by the Export Credits Insurance Corporation, a Crown Corporation which provides insurance against certain risks of non-payment of foreign accounts. The Corporation also acts as the point of contact for the financing assistance available to Canadian exporters which was discussed in the article "Financing Exports to Latin America" in *Foreign Trade* of December 25, 1965. ●

Argentina

- ▶ Bumper crops increased agricultural income.
- ▶ Serious debt problem tackled successfully.
- ▶ Raw materials, equipment offer best export prospects.

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

ARGENTINA enjoyed in 1965 continued political stability and this has contributed to economic buoyancy throughout the year. The level of liquidity has been relatively high, investments made in the early 1960's have increased production, and demand has risen rapidly. A considerable increase in the extension of credit has also stimulated growth. Gross domestic product for 1965 is now estimated to rise by 7.5 per cent, slightly less than the 8.2 per cent of 1964.

Industrial activity during the last year and a half has been strengthened by the sizable increase in agricultural income because of the bumper crops harvested last year and by the expansionist government monetary policy, which has until

recently resulted in a high level of liquidity.

Retail sales to the end of June 1965 exceeded those of a year ago by 44 per cent in value but by only 1 per cent in physical volume. Wholesale prices were 23 per cent higher than in June 1964 and the cost of living was 35 per cent higher. Wages of unskilled workers increased 34 per cent during the 12-month period ended in June 1965.

New Monetary Policy

After discussions with the International Monetary Fund and the Paris Club countries earlier this year in the opening rounds of Argentina's approach to debt renegotiation, the Government reversed its inflationary policy and established new monetary objectives at levels which it felt would check inflation without precipitating any serious recession.

Included in these objectives were the limiting of wage increases to 22 per cent, of price increases to 20 per cent, and of increased means of payment to 26 per cent. Although all these objectives may not be achieved, their mere establishment tended to keep levels down from those of 1964. According to the most recent published information, during the first seven months of 1965 only monetary expansion has been kept within the stated limits. Prices have increased on the average 2.2 per cent a month and wages 3.5 per cent.

Devaluation of the peso, foreign debt renegotiation, and settlement of oil contracts were among the most prominent issues affecting the Argentine economy during 1965.

On September 13, the Central Bank allowed a further devaluation of 4 per cent in the peso, increasing the spot rate from 171 to 178 pesos

This "parade of champions" at the Palermo Livestock Show in Argentina focuses attention on meat, one of the country's main export industries. Last year quantities of meat shipped abroad dropped considerably but they are expected to rise again this year.



to the U.S. dollar for buyers and 173 to 180 pesos to the U.S. dollar for sellers. This was done in the light of increased costs and the continuing pressure on the peso and because of the need to stimulate certain exports, such as wool and meat. The devaluation was in keeping with the Government's decision some months ago to effect adjustments in the exchange rate periodically rather than postponing such action until the inevitable happened and drastic changes became necessary. On December 6th a further devaluation in the peso was authorized by the Central Bank, reducing the rate to a minimum of 188 and a maximum of 190 pesos to the U.S. dollar. At the same time the Government authorized a reduction in prior deposits applicable to certain imports from 75 per cent to 50 per cent of the c. & f. value.

Rescheduling Debt

During 1965 Argentina faced a heavy foreign repayment schedule both in the private and public

sectors. In order not to disrupt the programmed economic development and to satisfy foreign commitments, the Government decided to negotiate a rescheduling of a portion of the 1965 indebtedness with its principal creditor countries. Meetings were held with the Paris Club, the World Bank, the United States and Japan, and as a result, arrangements were made for debt renegotiations on a bilateral basis. So far, some of the countries concerned have signed agreements and the remainder will no doubt be concluded by the end of the year. This rescheduling of part of the 1965 debt spreads payment over a five-year period ending in 1972.

The long outstanding settlement of foreign oil contracts which were revoked by the present Government after it assumed office in 1963 is now nearing its final stage. Settlements have been reached with all but one company and most of these settlements have been by private arrangement out-of-court. Although agreements differ, a number of the

companies will continue to operate in Argentina under the direction of YPF (Yacimientos Petroliferos Fiscales) the state oil company. Cancellation of these contracts was controversial and the reaching of mutually satisfactory arrangements removes a cloud which has been hovering over Argentina for the past two years. It also augurs well for future foreign investment.

Industrial Output Increases

Industries, with few exceptions, maintained high production levels throughout the year. The general index of physical volume of industrial production increased to 134.5 points by the end of 1964 (1952=100). Although the general index declined from 1961 to 1962, it rose by 27.5 points from 1963 to 1964. Major gains occurred in manufacturing, especially in foodstuffs and beverages, garments, rubber, chemicals and metal industries.

Notable increases took place in electrical machinery and appliances, vehicles and machinery, and paper

and cardboard. No Argentine industry decreased its output.

TABLE I
ARGENTINE GRAIN EXPORTS

	1964	1965
	(metric tons)	
Wheat	3,114,536	5,632,604
Maize	2,846,230	2,627,707
Rye	97,232	83,750
Oats	395,900	328,422
Barley	456,880	274,406
Linseed	558	.....

TABLE II
ARGENTINE EXPORTS OF FROZEN AND CANNED MEAT

	1964	1965
	(metric tons)	
Frozen beef	203,160	148,723
Chilled beef	143,319	113,918
Mutton and lamb	13,911	18,140
Canned meat	64,397	44,846
Offal	28,513	23,594

Agriculture Has Problems

As already stated, production of agricultural products, particularly wheat, exceeded expectations. Table I gives comparative exports of grains from January 1 to November 26 in 1964 and 1965.

Table II shows comparative exports of frozen and canned meats from January 1 to November 18 1964 and 1965.

Although agricultural output increased considerably during the past year, this increase would have been greater had the meat industry not suffered a setback during the second quarter. With reduced supplies and strong domestic prices, quantities of meat for export dropped considerably and only recently has the volume increased to near-normal levels. The decline in slaughterings has to a certain extent been compensated by strong prices.

During 1964 Argentina had the largest wheat crop in its history and this has meant dramatic increases in export sales and shipments during the current year. As Table I shows, wheat shipments at the end of November 1965 exceeded 5.6 million tons compared with 3.1 million for the same period of 1964. This has boosted foreign exchange earnings considerably.

The increase in wheat sales has more than compensated for slight reductions in exports of other grains. As for other agricultural products, shipments of dried hides, linseed oil, oil cake meal, expellers and oil seed meals have gone up slightly. Exports of butter, salted hides, casein, cotton and tung oil, on the other hand, declined noticeably last year.

Agricultural output during 1966 is expected to be, in terms of total value, equal to that of the past year. The wheat harvest, however, will be sizably smaller although the rapidly improving livestock industry is expected to offset this. Not only is meat production expected to increase but its byproducts—including hides, canned meat and offals—should achieve larger export sales. At the moment, there appears to be little reason for international meat prices to decline significantly over the next few months and Argentine officials are expecting a

sizable increase in export revenue from these sources.

Imports and Exports Up

During the first eight months of 1965, Argentine exports totalled U.S.\$996.9 million compared with U.S.\$970.5 million for the same period of 1964, an increase of U.S.\$26.4 million. Imports for the same period of 1965 amounted to U.S.\$792.7 million compared with U.S.\$663.4 million for the first eight months of 1964, a rise of U.S.\$29.3 million.

The favourable trade balance for the first eight months of 1965 totalled U.S.\$204.2 million compared with a favourable balance of U.S.\$307.1 million for the same period of 1964. The foreign trade surplus for the calendar year 1965 is estimated at U.S.\$280 million compared with the actual surplus for the calendar year 1964 of U.S.\$333 million.

TABLE III
ARGENTINA'S PRINCIPAL MARKETS

	1964	1965
	(millions of U.S.\$)	
Exports to:		
Italy	162.9	173.5
Netherlands	92.7	120.4
Britain	105.7	109.2
West Germany	83.0	69.3
United States	63.7	63.5
Brazil	64.3	62.7
U.S.S.R.	18.4	37.2
France	41.8	36.2

TABLE V
WHAT ARGENTINA SELLS ABROAD

	8 mos. 1964	8 mos. 1965
	(millions of U.S.\$)	
Cereals and linseed	327.7	380.9
Meat	224.9	211.9
Other edible farm products	121.4	156.9
Wool	100.9	76.9
Manufactured products	64.1	49.4
Hides	41.6	31.0
Dairy produce	20.0	21.7
Wheat, flour and byproducts	17.1	17.7
Livestock on the hoof	15.0	17.3
Livestock byproducts	14.1	11.9
Forest products	10.7	10.7
Mining products	10.3	8.7

TABLE IV
ARGENTINA'S MAIN SUPPLIERS

	1964	1965
	(millions of U.S.\$)	
Imports from:		
United States	156.9	182.6
Brazil	52.7	102.1
West Germany	67.8	72.7
Italy	84.4	53.7
Britain	48.3	51.3
Japan	12.8	32.5
France	32.9	32.3
Sweden	15.2	19.6

TABLE VI
WHAT ARGENTINA BUYS ABROAD

	8 mos. 1964	8 mos. 1965
	(millions of U.S.\$)	
Machinery and vehicles	236.4	190.0
Iron and steel	74.3	126.8
Chemicals, pharmaceutical products, oils and paints	69.2	89.3
Fuel and lubricating oils	42.5	71.9
Non-ferrous metals	54.5	69.0
Lumber	41.9	58.6
Food products	33.8	44.0
Textiles and manufactures	30.8	34.2
Paper and cardboard	23.4	30.2
Rubber and manufactures	20.7	27.7

Tables III and IV give the principal export and import markets for the first eight months of 1965, compared with the same period of 1964. Principal Argentine exports during the first eight months of 1964 and 1965 are given in Table V and principal Argentine imports during the same periods are shown in Table VI.

Table VI confirms that imports of all main categories of products, with the exception of machinery and vehicles, increased substantially during the first eight months of 1965

over the same period of 1964. The decline in imports of machinery and vehicles resulted from increased domestic production and smaller foreign purchases of railway locomotives and rolling stock. The increases in the other commodity groupings were in the main brought about by greater requirements for local industries.

Trading Prospects

Argentina's economic situation, taken as a whole, is considered satisfactory. The expansion noted in

various activities continues and industry in general, with few exceptions, is maintaining high production levels. Business transactions meet with no major obstacles, although there is some slowness in payment. The Government continues to adopt measures to check inflation by limiting expansion in means of payment.

Despite a continuance of import barriers, Argentina during 1965 may increase its imports by approximately 20 per cent. At the same time, it has successfully combatted

Canada's Trade with

PRINCIPAL CANADIAN EXPORTS TO ARGENTINA

	(Can.\$'000)			(Can.\$'000)			(Can.\$'000)	
	1963	1964		1963	1964		1963	1964
Cattle purebred	2	28	Papermakers' felts textile	....	189	Cutting forming tool metal-		
Potatoes seed	285	651	Felt n.e.s.	3	12	working machinery	1.4	24
Synthetic fibres and waste			Selenium	11	24	Metalworking machinery		
n.e.s.	....	60	Chemical elements n.e.s.	124	258	equipment and parts		
Asbestos milled fibres,			Inorganic bases metallic			n.e.s.	100	39
group 3	52	83	oxides n.e.s.	....	55	Textile industrial machinery		
Asbestos milled fibres,			Aldehyde function			and parts	56	96
groups 4 and 5	653	962	compounds	17	43	Ploughs and parts n.e.s.	.15	54
Asbestos shorts, groups			Organic acids and			R.R. rolling stock parts,		
6, 7, 8, 9	175	278	derivatives	154	177	including street	538	325
Wood pulp dissolving special			Polyethylene resins not			Road motor vehicle parts		
alpha	36	579	shaped	85	118	n.e.s.	97	310
Wood pulp bleached sulphate	256	1,432	Plastic and synthetic rubber			Engines aircraft and parts	34	237
Wood pulp bleached sulphite	551	746	not shaped n.e.s.	1,799	1,067	Radio TV equipment and		
Wood pulp sulphate semi-			Pig iron	....	64	parts n.e.s.	29	62
bleached	281	209	Sheet and strip steel n.e.s.	4,129	4,134	Industrial control equipment		
Wood pulp sulphate			Aluminum pigs ingots slabs	1,773	2,853	and parts	2.5	392
unbleached	244	560	Nickel anodes cathodes			Card punch machinery,		
Wood pulp sulphite			ingots	340	547	computers and parts	609	344
unbleached strong	981	1,083	Refractories n.e.s.	33	45	Office machines and parts		
Wood pulp sulphite			Miscellaneous fabricated			n.e.s.	21	25
unbleached news	189	....	materials n.e.s.	....	184	Biological products for		
Wood pulp mechanical			Power boilers equipment			human use	51	90
unbleached	74	120	and parts	1,668	519	Medicinal and pharma-		
Newsprint paper	4,780	6,372	Rock drilling related			ceutical products n.e.s.	15	84
Fine paper n.e.s.	380	399	machinery and parts	21	29	Prefabricated buildings,		
Wallpaper printed	5	4				structures parts	....	213

its serious debt problem and the future now, compared with the beginning of the year, is considerably brighter. This is reflected in the attitude of foreign suppliers who have been expanding their business as opportunities arise.

With the investments of the early 1960's now coming into production, there is a greater demand for new materials needed to service these industries. Moreover, new industries are developing and often require feasibility studies and machinery

and equipment. Both of the above offer opportunities to Canada.

In addition to the private sector, programs are also being considered in many of the public enterprises. In the communications field, there is an increasing interest in equipment. In transportation there are many opportunities, including the supply of equipment and the need for feasibility studies not only for roads but also for water transportation. The state railways and state shipping lines are both considering necessary renovations.

Notwithstanding sizable foreign debts, import barriers, lack of foreign exchange, etc., Argentina will continue to import sizable quantities of goods unavailable locally. Of these imports Canada has captured an increasing share and there is no reason why this cannot be considerably expanded. Canadian goods entering the Argentine market have been extremely well received and Canada is recognized as a country capable of contributing those goods necessary for the development of the local economy. ●

Argentina

Import restrictions have narrowed range of products we can sell, but our total exports rose substantially in first eight months of last year. Prospects good, if suppliers normally give 180 days credit.

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

IMPORTS into Argentina have been subject since 1959 to high surcharges in addition to customs duties and this has restricted them to a narrowing list of products. The most important among them are machinery and vehicles, iron and steel, chemical and pharmaceutical products, fuels and lubricants, non-ferrous metals, lumber, food products, textiles and manufactures, paper and cardboard, and rubber and manufactures. Many of these are required for local manufacturing industries or are of a type not made in Argentina.

In spite of this restrictive measure, imports during 1964 increased over 1963 and have risen substantially during the first eight months of 1965 over the corresponding period of 1964.

Canada's exports to Argentina during 1964 totalled Can. \$26.9 million compared with Can. \$34 million in 1963 and \$22.5 million in 1962. The main reason for the

drop in our sales during 1964 was the exclusion of any capital equipment, such as railway locomotives, road machinery, etc., which formed a major part of our exports in 1963. With this exception, exports in 1964 of most traditional items increased and new products were added. Some of our principal exports to Argentina during 1963 and 1964 are listed in the table opposite.

Canada's exports to Argentina during the first eight months of 1965 totalled Can. \$21.2 million compared with \$17.7 million for the same period of 1964. Because we had to contend with the trade restrictions mentioned earlier, an increase of \$3.5 million in our shipments to the end of August 1965 over the same period of 1964 confirms that our products are competitive and of a type that Argentina still needs.

Prospects for Canada's export trade with Argentina continue bright within the list of goods that

can be imported under low import surcharges. These, as previously stated, come within the category of raw and semi-processed materials required by agricultural and manufacturing industries and items which are not normally manufactured in Argentina, such as certain types of process and industrial machinery.

Because of Argentina's balance-of-payments position, the Central Bank has established payment regulations for specific commodities, particularly certain types of machines and machinery products. For this reason, it is not possible, except in very limited instances, to sell for cash or on sight draft. Usual terms for normal trade are 180 days draft and Canadian exporters should not consider this unusual because other foreign suppliers are granting these terms.

Present indications are for a continuation of normal trading conditions in Argentina and Canadian exporters can regard it as an important outlet for their products within the limits of Argentine requirements. ●



Typical of Brazil's great metropolitan centres is Sao Paulo. The photograph shows the main traffic artery, known as the Anhangbau. The second building, bottom left, the Alexander Mackenzie Building, houses the headquarters of Sao Paulo Light S/A, which is a subsidiary of Brazilian Traction.

Brazil

- ▶ Signs of economic upswing but prospects uncertain.
- ▶ Sales of capital goods depend on long credit terms.
- ▶ Canadian exports restricted to rather narrow range.

C. M. FORSYTH-SMITH, *Commercial Counsellor, Rio de Janeiro.*

CANADIAN EXPORTS to Brazil have dropped sharply from the levels of recent years and prospects for early improvement are not promising. This drop in trade has resulted from a number of factors, including the unstable economic conditions within the country which led to runaway inflation in 1963 and 1964, severe balance-of-payments problems, the growth and diversity of industrial production by local in-

dustry, and the revival of various sources of aid and financial credit, which has tended to tie imports more and more to sources of supply in countries providing these facilities. In 1965 the adverse trade situation was further intensified by the recessionary tendencies following corrective measures taken by the Government. These have led to reduced industrial production, a growing unemployment problem, and a

contraction in consumer and corporate spending.

Some progress has been made toward stabilization of the economy and the rate of inflation has been checked to some extent, but it will still total between 50 and 60 per cent for 1965. Accurate figures are not available, but it appears that although agricultural production improved considerably during the year, mainly because of good weather, industrial production has shown little if any increase. As a result, the employment situation has deteriorated, particularly in the major cities. There are some signs that the economy is on the upswing but prospects for 1966 are still uncertain. Temporary relief from the acute balance-of-payments crisis was achieved during the year by debt

TABLE I
CANADIAN EXPORTS TO BRAZIL

	1961	1962	1963	1964
	(Can. dollars)			
Total Exports	30,075,918	28,481,474	29,447,407	22,984,527
Of which:				
Locomotives, engines & parts	2,460	2,489,552	3,493,676	7,964,046
Aluminum pigs, ingots & slabs	6,759,951	7,156,154	8,178,223	4,394,229
Sheet and strip steel	477,208	2,253,250	3,716,374	2,124,058
Asbestos milled fibres	2,267,729	2,545,425	2,669,356	1,692,541
Newsprint paper	4,647,433	4,049,846	3,428,718	743,410
Nickel anodes, cathodes, ingots	1,343,528	1,386,246	619,858	580,199
Wood pulp dissolving special alpha	551,743	369,370	515,105	498,790
Metallic salts, peroxy salts, n.e.s.	178,847	205,638	398,561	480,215
Fertilizers, including sulphur	.....	.....	315,595	389,837
Cod, heavy salted	80,873	14,598	126,272	376,932
Malt	573,474	374,628	292,520	317,563
Card punch machinery computers and parts	347,655	375,120	428,857	290,220
Cod, light salted	51,116	61,093	34,399	241,763
R.R. rolling stock parts, including street	28,712	57,011	484,214	182,040
Plastic and synthetic rubber	1,897,736	1,084,953	435,257	171,175

rescheduling, U.S. AID grants, new borrowings, and a substantial favourable trade balance. As a result, Brazil has been able to build its reserves of foreign exchange to over U.S.\$300 million. Nevertheless, a net foreign debt of over U.S.\$3 billion still remains and debt repayment and servicing will continue to be a heavy burden on Brazil's recovery for many years. This will retard a rapid return to normal multilateral trade relations.

Canadian Trade Affected

Principal Canadian exports to Brazil during the years 1961 to 1965 are shown in Table I. The substantial drop in 1964 is attributed to smaller sales of most items and would have been more severe but for shipments of locomotives financed by the Export Credits Insurance Corporation and made under contracts signed before 1964. Up-to-date figures for 1965 are not available but imports from all sources have dropped sharply. Canadian shipments in the first six months of the year fell to \$10,165,000 from \$14,891,631 in the same period of 1964. The trend during the second half indicates that total shipments in 1965 may be no more than \$17 million. The largest reduction was in locomotives, but sales of

TABLE II
BRAZILIAN IMPORTS FROM ALL SOURCES

Leading Products	1963	1964
	(U.S.\$'000)	
Wheat	164,008	209,560
Crude petroleum	176,356	170,365
Metalworking machinery and tools	38,723	32,384
Motor vehicles, parts and accessories	40,106	31,689
Electrical appliances, machinery	37,182	25,234
Iron and steel plates	40,507	21,816
Lubricating oils and greases	18,676	21,757
Copper and alloys	33,638	21,286
Aircraft, parts and accessories	57,777	20,654
Mineral and chemical fertilizers	23,866	19,188
Railway vehicles, parts and accessories	21,799	17,614
Generators and electrical motors	20,990	16,779
Ball bearings	18,258	15,825
Office machines	16,890	14,815
Communication appliances	16,651	13,886
Total Brazilian imports	1,486,848	1,263,451

aluminum, steel, newsprint, nickel, malt and salt cod, a traditional item, also decreased. Shipments of rolling stock ceased altogether.

Apart from Brazil's tight foreign exchange position which has made it necessary to limit imports, the various tied credits and loans extended by foreign governments and government lending agencies are

eliminating opportunities for freely competitive selling. Table II shows the main Brazilian imports from all sources in the years 1963 and 1964.

Many of the items in Table II are covered by bilateral agreements or aid programs and are not open to free competition. Included in this category are fuels and lubricants, which are governed by special bilateral agreements, the large percentage of wheat which is obtained from the U.S. under PL480, and most of the machinery, aircraft, locomotives, vehicles and tractors which under existing regulations must be covered by long-term financing. A wide range of goods theoretically open for world-wide procurements are affected by the U.S. AID Agreement under which the U.S. has made available \$150 million for private procurement of essential commodities not produced locally. Under this agreement importers are offered very attractive terms, provided that the goods are purchased in the United States. Furthermore, special exchange and tariff regulations prohibit the entry of goods produced locally or not considered essential to the country's economy.

When all these factors are considered, plus the expected drop in total imports, it appears that the effective market available for free competition on normal sales terms is probably only about \$100 million to \$150 million. Industrial raw materials such as chemicals, some metals, newsprint, asbestos and a few other commodities should be the major products involved. Nevertheless, Canada's share of the market for several of these items has declined as a result of national production and bilateral assistance programs.

Business under Aid Agreements

Despite the rather bleak outlook for Canadian exports in general, there are prospects that Canadian exporters should not overlook. These are directly related to the

availability of special terms and credits. Under Brazilian regulations, machinery and capital equipment, which will probably account for nearly 50 per cent of Brazil's imports during the next few years, may not be imported unless credit terms of at least eight years are granted. This provision has inhibited the development of Canadian trade. There are, however, some sources of funds or credits under which Canadian companies can compete for business on equal terms with their international competitors. These include loans and credits from various international lending agencies and particularly credits provided by the Inter-American Development Bank. In order to be in a position to quote on business arising from these financing sources, it is necessary to follow carefully tenders which are issued and which are normally available through the Department of Trade and Commerce.

Canadian bilateral sources of financing are of even more direct interest to Canadian companies. These include* the Canadian Soft Loan Program; funds available from the Export Credits Insurance Corporation through the IADB; and long-term financing provided under Section 21A of the Export Credits Insurance Corporation Act.

Funds available under the Soft Loan Program through the IADB currently amount to \$20 million for Latin America and the initiative must come from the recipient countries through the Bank, or be suggested to Canada by the Bank. Because of this, there is little that the individual Canadian exporter can do to promote his sales until specific projects have been approved, after which the competition will come from other Canadian suppliers. The same situation applies to the \$15 million special credit recently made available to Latin America by the Export Credits In-

surance Corporation and which will be used by the Bank for financing projects in Latin America at commercial interest rates. Applications for ordinary financing under Section 21A of the Export Credits Insurance Corporation Act, however, are considered on their merits and here there is more room for promotion activities because it is often possible to obtain advance guidance before a formal proposal is made. Exporters should therefore consult with ECIC when considering quoting on Brazilian business requiring long-term financing.



Argentina Produces Fertilizers

ARGENTINA is employing ever-increasing amounts of fertilizer. In the 1964-65 crop year it used 33,189 tons of nitrogen compared with 22,116 in 1963-64 and 8,551 in 1962-63. It also used 10,429 tons of P_2O_5 compared with 6,736 in 1963-64 and 2,576 in 1962-63 and 4,890 tons of K_2O compared with 5,009 and 2,230. By 1970 consumption of nitrogen is expected to total 102,200 tons, P_2O_5 consumption 75,700 tons, and K_2O consumption 23,800 tons.

Today the country imports almost all its chemical fertilizer requirements and manufactures only ammonium sulphate. An army-owned industrial complex, Fabricaciones Militares, produces this. Several private and state enterprises are now planning new production facilities. The groups involved and their plans are:

- **Fabricaciones Militares**—will build two additional plants to complement the one already in operation. Production program calls for: ammonia, 50,000 to 100,000 tons a year; urea, 42,000; ammonium nitrate, 36,300; complex 10-10-10, 59,400; Thomas slag, (16 per cent P_2O_5) 15,000.

- **YPF (Argentine State Oil Fields)**—will build two plants, one in Salta and one in Santa Fé. Production of the Salta plant is expected to reach 90 tons of ammonia and 150 tons of urea a day. Sugar plantations will take most of its

In summary, although the outlook is not good and normal commercial sales are confined to a relatively narrow range of products, opportunities do present themselves periodically for sales of certain items where financing facilities are available. Interested Canadian suppliers should maintain close liaison with the Brazilian scene through their local agents, the Office of the Commercial Counsellor in Rio de Janeiro and of the Consul and Trade Commissioner in São Paulo, and the Department of Trade and Commerce in Ottawa.

output. The Santa Fé plant will cost about U.S. \$44 million and will consume some 600,000 cubic metres of gas a day. Most of the phosphate rock it will use will come from Peru. Estimated output is 500 tons of ammonia a day, 350 tons of nitric acid, 450 tons of ammonium nitrate and 600 tons of compound fertilizer.

- **Petrosur**—this is a private enterprise established by Shell International, the Argentine-based Italian firm Techint, and the Japanese Mitsubishi Company. Studies have been delayed and the plant is expected to begin operations only in 1967. Using about 250 tons of gas a day, it will produce an estimated 200 tons of ammonia a day, 120 tons of sulphuric acid and unknown quantities of urea, ammonium sulphate and compound fertilizers.

- **Impagro**—this is a private undertaking formed by the agricultural co-operative associations of the grain region in southern Buenos Aires near Bahía Blanca. It is expected to produce annually 100,000 tons of ammonia, 80,000 tons of urea and 60,000 tons of ammonium nitrate.

If these four enterprises implement their plans fully, Argentine production of ammonia alone will rise from 20 tons a day to nearly 1,400, and there will be a parallel increase in output of the other chemicals. ●

*See also the article "Financing Exports to Latin America" in the December 25, 1965, issue of *Foreign Trade*.

Chile

- ▶ Copper industry has big expansion plans.
- ▶ Exports rose in first three quarters of 1965.
- ▶ Imports of capital goods have top priority.

Z. W. BURIANYK, *Assistant Commercial Secretary, Santiago.*



Southern Chile provides the proper terrain for raising sheep; ranches like this one in Southern Patagonia often have flocks of nearly a million. Note the mounted shepherds and the dogs standing about waiting for their masters' commands.

TO mark the anniversary of his first year in office, the President of the Republic, Eduardo Frei, recently addressed his people in a "state of the nation" message and appealed for greater support for the program of his Christian Democrat Government. Criticizing those who oppose his plans, Frei cited the numerous achievements of the first of his Government's six years—gains made more noteworthy by the natural catastrophes which struck Chile during 1965.

Among these achievements were:

- The passing of the copper bill which will see a doubling of Chile's copper production by 1971.
- The Agrarian Reform bill, which will take firm measures to make Chile self-sufficient in agricultural production.
- Renegotiation and rescheduling of Chile's long-term foreign debts.
- A favourable balance of trade of \$63 million for the first nine months of 1965 compared with a surplus of only \$600,000 for the same period of 1964. This resulted from reduced imports and a 26.6 per cent gain in exports.
- Building of 52,000 homes by the end of 1965, with a six-year goal of 360,000 units.
- An expected rise of between 4 to 5 per cent in 1965 in the gross national product, compared with roughly 2.5 per cent in each of the previous two years.
- Reduction in the rate of inflation, held to 23.3 per cent for the first ten months of 1965 compared with 37.6 per cent for the same period of 1964.
- Industrial and mineral production both up more than 10 per cent for the first seven months of 1965 over the same period in the previous year.

Financial Situation Improves

In the Paris negotiations early in the year Chile, meeting with its



principal creditor countries including Canada, was able to arrange postponement of foreign exchange commitments of about \$162 million in 1965 and a more realistic repayment schedule for the next few years. Chile was thus started on the hard road back to international liquidity.

Exports have continued to rise and in the first nine months of 1965 a favourable balance of \$63 million was realized on the basis of a 26.6 per cent increase in exports combined with a corresponding 10.6 per cent drop in imports. At the end of September 1965, the Central Bank showed a disposable balance in foreign currency of U.S.\$48 million, the most satisfactory for some years. This improvement in the trade balance and the renegotiation of the foreign debt both strengthened the overseas payment position. The country has continued to attract foreign loans and investments.

In past months the improvement in the external payment position has been reflected in a reduction of the backlog of outstanding commercial debts. At the same time there has been a deliberate tightening of the supply of foreign exchange to the "futures" market.

Agricultural Plans Made

Perhaps the most dynamic event affecting agriculture during 1965 was the President's signing of the Agrarian Reform Bill.

Fundamentally, the aims of the bill are to:

1. Increase production in order to reduce imports to the minimum. (Despite its fine agricultural land, Chile remains a large importer of food.)
2. Elevate the farm workers by raising their economic, social and educational standards.
3. Extend and improve property ownership.

This latter point is implemented by government expropriation of lands for reasons of inefficiency, ex-

ploitation of tenant farmers, and abandonment. That this law is to be enforced has become clearly evident: to date the Government has expropriated more than 300,000 acres.

Unfortunately, the reform bill has had limited immediate impact. Because of tremendous storms suffered earlier this year which reduced crops and plantings for the coming year, Chile will have to import even more of its food needs during 1966. Wheat shortages alone are expected to reach more than 400,000 tons, to be met by purchases from Argentina and the United States.

One of the bright aspects of the agricultural scene was the arrival in Chile of 897 head of Canadian Hereford cattle last October. This is the largest shipment of Canadian Herefords ever made to any Latin American country. It was a sample shipment, to be compared with similar purchases from Argentina, Australia and New Zealand, and the Canadian animals have been received enthusiastically. A total of \$8 million has been made available to Chile by the World Bank for livestock improvement and the fine performance of Canadian Herefords augurs well for future Chilean purchases and the eventual development of a consistent market for high-grade Canadian breeding stock.

Copper Industry Expanding

Since the export of copper generates about two-thirds of Chile's foreign exchange earnings, it is small wonder that the Government places such emphasis on the fortunes of this industry. World copper prices are buoyant and expansion plans for this industry should provide a sound foundation for national economic growth.

During 1964, Chile produced 617,000 metric tons of copper but plans are under way for increasing production by 1970 to at least 1.2 million tons. At 30 cents per pound, this would generate considerably more than \$300 million a year.

In addition, the Government plans to raise copper refining capacity from the present 275,000 metric tons a year to more than 700,000 metric tons by 1970, with the ultimate goal of refining 100 per cent of the copper produced in Chile. Fire-refined copper is to be increased to 300,000 metric tons a year from the present 180,000 and electrolytic copper from 175,000 metric tons to 450,000.

Planned expansion in the industry over the next five years calls for investment of \$590 million, of which almost \$450 million will be spent by the three major copper producers as follows:

1. The Chilean Government will participate in the expansion of the Chuquicamata and El Salvador mines of the Anaconda group; the former is the world's largest copper producer. In addition, a new Anaconda-Chilean Government company, with the latter owning 25 per cent, will exploit the Exotica deposit with its known reserves of 153 million tons of ore and a potential annual output of 100,000 metric tons of metal. Investment in this group will total at least \$145 million in the coming years.
2. The Braden Copper Company (Kennecott Copper Corporation), plans to invest \$216 million in its El Teniente operations to raise output from the current 180,000 metric tons a year to 280,000 and build a concentrator.
3. The new Compania Minera Andina, a joint venture of Cerro Corporation and the Chilean Government which will own 25 per cent, will invest \$81 million by 1969 in the development of a mine with an initial capacity of 60,000 metric tons a year.

Recently an official Canadian Government Mission visited Chile to investigate opportunities for Canadian firms providing mining engineering consulting and design

services and mining machinery, electrical and transportation equipment. The Mission's report is being prepared now and will be available from the Trade Fairs and Missions Branch, Department of Trade and Commerce, Ottawa.

Steel Production Rising

Although the export of iron ore continues to be a source of valuable foreign exchange, Chile's own iron and steel needs are not being met by domestic production. Rapid expansion in construction and manufacturing industries is creating demand in excess of the total output of the national steel industry and most high-grade and specialty type steels have to be imported. Chile's major producer, the Compania de Acero del Pacifico (CAP), has just completed an expansion program, raising production from 480,000 to 650,000 metric tons a year. With domestic consumption continuing on the rise, this will relieve the situation temporarily. CAP is undertaking further expansion of the Huachipato mill to an annual capacity of one million metric tons by 1971, at a cost of roughly \$100 million, half of which is to be financed locally.

Forest Industries Growing

Blessed with vast natural forests, supplemented by plantations of pine, eucalyptus and fir, Chile is busy developing its forest-based industry. Currently, five modern mills are producing some 230,000 tons of pulp and paper each year and the plan is to increase this to 570,000 by 1970. Raw material is now available to support a pulp and paper industry of 700,000 tons a year and the Government plans to plant over one million acres of plantation pine over the next five years. Feasibility studies are currently under way on two, and possibly three, pulp and paper projects.

Another development of interest to Canadian suppliers is the continued expansion of the lumber in-

dustry. Chile is a relative newcomer to lumber exporting but looks to this product as a consistent foreign exchange earner in future. The IDB recently granted \$32 million to the Chilean Government Development Corporation (CORFO) for the development of industry, with special emphasis on forestry. Canadian manufacturers of sawmill equipment, chain saws, logging equipment and timber transporting equipment might well investigate this market.

Fish Meal Output Lower

In the first six months of 1965, exports of frozen sea products were seven times those for the same period in 1964 and almost four times the total frozen fish production for the whole of 1964. Exports of canned fish also showed remarkable strength with a threefold gain in the January-June period.

The current weakness in the Chilean fishing picture lies in the landing of anchoveta—the small fish normally found by the millions in the Humboldt Current and the raw material for fish meal. This dollar-earning industry is plagued by the disappearance of the anchoveta and over-expansion of fishing fleets and processing facilities. Fish meal production fell from more than 137,000 metric tons in the first ten months of 1964 to less than 53,000 metric tons during the same period in 1965. Plant capacity on January 1, 1965, was almost double capacity at the beginning of 1964. Despite the temperamental and elusive anchoveta, however, Chile's fishing industry made strong gains during the year. Although most of the physical expansion came in the production of frozen and canned fish for export, the increase in domestic fish consumption has led to an indirect foreign exchange benefit by reducing the import of cattle for slaughter.

The disaster in the fish meal industry may turn out to be a blessing in disguise because many plants in

this field, faced with almost total idle capacity, have been diverted to freezing and canning other species. Canadian suppliers of refrigeration and canning equipment may find sales opportunities in these attempts to diversify in the north in addition to normal expansion planned in the central and southern areas.

Trade with Canada

The dollar value of Canadian exports to Chile in the years 1962 to 1964 has fluctuated around the \$13 million figure. (See Table I.) However, the commodity content has altered considerably: for example, the export of pulp and paper machinery in the three years 1962, 1963, 1964 totalled about \$4 million a year, but with the completion of contracts, the figure is unlikely to exceed \$1 million for the year just

ended. This decrease in one commodity has been offset by increases in others, such as sawmill machinery, aluminum, insulated wire and cable, aircraft engines and cattle. (See Table II.) It is expected that these products will also sell well in 1966 and should Canadian suppliers win other major bids to equip additional pulp and paper mills, 1966 and the following years could see our exports to Chile climb to new heights.

Canada's purchases from Chile have been small in value and few in number, largely limited to fruit and vegetables, shellfish, sodium nitrate and wine. The latter is a recent entry into the Canadian market and on the basis of its quality and its initial reception, sales should increase rapidly.

Although there are export opportunities in Chile, it is without a doubt a buyer's market and a maximum selling effort tempered with patience will be required. Exporters must face the fact that in Chile there is and will continue to be for a few years at least a severe shortage of foreign exchange. With the additional powers granted to the Central Bank to both reduce and restrict imports, Canadian exporters will be confronted with a tougher market and price competition and in many instances a request for eight years' credit on transactions now arranged on credit terms of five years or less.

Furthermore, the Central Bank has defined a series of seven general categories of imports designed to assist it in deciding which capital goods imports will receive top priority in view of Chile's development plans for increasing productivity and exports and accelerating economic growth. These seven classifications of imports in order of priority are:

1. Capital goods for the production of exports.
2. Capital goods for the production of import substitutes.
3. Consumer goods and services of basic necessity.
4. Capital goods for processing Chilean raw materials.
5. Transportation equipment.
6. Items necessary for general administration and the maintenance of public order.
7. Capital goods for improvement, enlargement or modernization of production facilities.

Canadians considering sales to the Chilean market should bear these priorities in mind.

TABLE I
CANADA'S TRADE WITH CHILE

	Total exports	Total imports (Can. dollars)	Balance in favour of Canada
1961	8,225,335	1,216,893	7,008,442
1962	13,277,984	1,116,578	12,161,406
1963	12,329,446	1,270,504	11,058,942
1964	12,943,725	1,755,290	11,188,435

TABLE II
LEADING EXPORTS, CANADA TO CHILE

Commodity	1961	1962	1963	1964	Jan.-Aug. 1965
	(Can. dollars)				
Metal ore concentrates	7,650	50,400	11,200	205,800	128,000
Asbestos milled fibres	745,007	830,358	716,634	777,233	599,671
Cordage twine and rope	6,700	26,738	71,492	90,776	39,898
Papermakers' felts	167,158	208,007	238,284	195,185	345,584
Plastic and synthetic rubber	447,395	426,035	348,035	294,084	115,457
Aluminum pigs, ingots, slabs	601,625	912,030	543,171	660,318	711,575
Nickel anodes, cathodes, ingots	76,853	80,158	83,913	67,233	78,155
Insulated wire and cable	2,646	26,027	57,090	180,560	253,069
Fire brick	173,188	466,395	101,843	261,636	111,126
Power boilers equipment	.....	9,130	98,702	622,908	123,635
Industrial furnaces, ovens	210	.....	95,913	139,035	.....
Conveyers and systems	5,055	.....	26,715	134,124	.....
Mining, oil, gas industrial machinery	92,118	263,660	432,040	341,139	153,611
Chemical and pharmaceutical machinery	.....	.....	2,562	728,866	.....
Saws, sawmill machinery	.....	.....	.....	177,992	137,165
Pulp and paper machinery	4,860	4,898,513	4,522,816	3,737,088	774,098
Engines, aircraft	46,828	49,678	80,559	148,860	259,814
Spark plugs and parts	.....	268,979	281,570	170,943	59,869
Fish nets	80,438	100,515	47,845	425,808	.....



Colombia



It's time to harvest Colombia's most valuable crop, the coffee bean, and workers are busy picking them in a large plantation where the coffee trees flourish under the shade of larger trees.

- ▶ Imports cut drastically to conserve foreign exchange.
- ▶ Further foreign aid expected with economic reforms.
- ▶ Canada's sales affected; should recover in '66.

J. C. BRADFORD, *Assistant Commercial Secretary, Bogota.*

COLOMBIA suffered severe economic setbacks during 1965 after enjoying relatively buoyant conditions during 1963 and most of 1964. The peso, after more than a year's stability, could not be supported further by the Central Bank and rapidly depreciated in value on the free market from a rate of 10 to the U.S. dollar in late October of 1964 to rates fluctuating between 17 and 20 in mid-1965. This devaluation was coupled with a general loss of business confidence and a drying up in the flow of foreign invest-

ment in both the public and private sectors. Serious shortages of foreign exchange resulted in the imposition of extremely stringent import controls to reduce the dollar outflow.

On the brighter side, early last September the Government passed by decree several measures of economic reform. This has resulted in cautious optimism among members of the local business community and, more important, could mean early resumption of foreign investment in Colombia. Currently negotiations are in progress between

government officials and such international lending agencies as the IMF, U.S. AID, the World Bank and the Eximbank for various credits and long-term loans. Most authorities feel that Colombia should succeed in obtaining a substantial amount of foreign assistance; this should result in currency stability and more imports.

Exchange Shortage Affects Trade

As a result of the severe foreign exchange shortage, the country has been forced to restrict imports drastically for the greater part of this year. Import registrations during the first nine months of 1965 amounted to only U.S.\$311 million compared with U.S.\$410 million for the same period of 1964.

Imports were cut back by suspending normal import regula-

tions and imposing prior licensing for categories of imports formerly on the "free list". These restrictions reached their peak in August 1965, when only U.S.\$21 million worth of registrations were approved. In September, import registrations approved rose to U.S.\$30 million. The Colombian Ten Year Plan has established that the import level for the 1965-66 stage of development must be at least U.S.\$40 million a month in order to meet growth objectives.

Colombia's exports to date in 1965 have done surprisingly well considering the economic problems. Exports by value equalled U.S.\$334 million by the end of September compared with U.S.\$298 million during the same period of 1964. This increase has taken place in spite of slightly lower sales of coffee (which earns close to 70 per cent of the country's foreign exchange) and resulted mainly from a rise in non-traditional exports, which have been benefitting from the multiple rates of exchange in effect this year.

After the withdrawal of Central Bank support of the "free market" peso and its subsequent devaluation, the import rate was maintained at 9 to the U.S. dollar until September 2, 1965, when a further import rate of 13.50 was introduced for a wide range of products. Although Colombia's traditional exports—such as coffee, petroleum and gold—are subject to specific exchange rates controlled by the Central Bank, it was possible until September 2 to exchange its non-traditional exports at the "free rate", which varied between 15 and 20 to the U.S. dollar. Thus the exporter of non-traditional items was able to benefit by importing his components and materials at a rate of nine to one while exchanging the proceeds from his dollar exports at the inflated free market rate. The decree legislation of September 2 fixed export exchange from non-traditional items at 13.50 to one and also raised the rate for most imports to 13.50 to one. Un-

doubtedly, this will reduce the volume of non-traditional exports by eliminating the price advantages these formerly enjoyed under the multiple exchange rate system.

Economic Reforms Introduced

Since September 2, 1965, a number of other laws intended to provide a basis for economic reform have been passed by President Guillermo León Valencia. This legislation has taken the form of decree because the country has been under "estado de sitio" (state of siege) since the month of May, when the President was granted special emergency powers under section 121 of the Colombian constitution.

This economic legislation is largely the work of the country's new Finance Minister, Joaquín Valero Arbeláez, who has expressed a firm intention of improving the economic position in spite of the political opposition that could result from austerity and additional taxation. The first decrees passed dealt largely with additional taxation to reduce the large deficit in the operating budget. In addition, some revenue will be obtained from the adjustment to the multiple exchange rate system. A large number of items have been shifted from the preferential import rate of Ps. 9 to the U.S. dollar to the intermediate rate of 13.50 and the proceeds from minor or non-traditional exports must now be exchanged at 13.50. This should constitute a considerable source of immediate finance for the Government.

Tariff restrictions are being eased progressively as previous licence requirements are removed from a large range of imported products. The Government promised that 25 per cent by value of all imports before January 1, 1966, and a further 25 per cent would receive the same treatment before April 1, 1966. The removal of these restrictions has been and will continue to be accompanied by substantial increases in the ad valorem duty

rates. A progressive reduction in previous deposit rates by 5 per cent per month has already been instituted. The Minister of Finance and the manager of the "Banco de la República" have promised the International Monetary Fund that "all delays in the delivery of foreign exchange in the official market, excepting the required period of 20 days, will be eliminated by December 31, 1965." Remittance of dollar obligations for the payment of imports has been running well in arrears because of the foreign exchange shortage, but this measure should help to clear up short-term Colombian obligations. This is contingent, however, on receiving additional standby credits from the IMF.

Foreign Aid Pending

The foreign exchange problems experienced in 1965 stemmed in part from a drying-up of the substantial amounts of foreign aid that the country has become accustomed to receiving during recent years. Colombia has received an estimated one billion dollars or so of aid in the public sector and half that amount in the private sector during the past six years. The major suppliers of these credits are the World Bank, the U.S. Agency for International Development, and the Inter-American Development Bank. The World Bank and the U.S. AID are said to have more capital per capita invested in Colombia than in any other country.

By early 1965 these agencies, because of their heavy present commitments in the country and the deteriorating economic situation, were reluctant to approve new loans until basic economic stability was restored. As a result, investment was not forthcoming in the usual quantities. Aware of the serious need for the continuance of foreign investment during this stage of Colombia's development, the Government has made some progress in putting its financial house in order and is at the present time negoti-

TABLE I—PRINCIPAL CANADIAN EXPORTS TO COLOMBIA

	6 mos. 1964	6 mos. 1965		6 mos. 1964	6 mos. 1965
	(Can.\$'000)			(Can.\$'000)	
Total, all exports	9,292	6,987	Copper pipe and tubing	77	67
Of which:			Copper wire and cable exc. insulated	67	....
Oats	148	179.4	Copper alloy shapes and sections	1.4	45
Wheat	....	669.0	Valves iron or steel	39	32
Malt	101	....	Power boilers, equipment and parts	44	67
Asbestos	262	3.1	Rock drilling and related machinery and parts	29	6
Wood pulp (sulphate)	124	111.5	Mining-quarry machinery and parts	10	38
Wood pulp (mechanical unbleached)	34	33.4	Metal working machinery equipment and parts	41	58
Newsprint paper	1,805	1,659	Textile industries machinery and parts	88	33.5
Fine paper	72	18	Combine reaper-threshers	298	33.2
Papermakers' felts	109	65	Parts for combined reaper-threshers	22	7
Special construction fabrics	.66	70	Parts and accessories for motor vehicles	7.6	31
Tallow	22	12	Marine engines and parts	79	8
Gum wood and vegetable extracts	32	....	Aircraft complete with engines	53	....
Chemical elements	53	8	Aircraft engines and parts	282	266
Inorganic chemicals	45	34	Telephone apparatus equipment, parts	40	....
Alcohols and derivatives	37	34	Spark plugs and parts	148	38
Plastics and synthetic rubber	1,179	1,093	Electricity measuring instruments parts	32	22
Industrial chemical specialties and explosives	85	89	Card punch sort tab computers	8	130
Steel castings	30	61			
Sheet and strip steel	1,550	944			
Aluminum pigs ingots sheet slabs	824	355			
Aluminum fabricated materials	420	....		
Copper bars, rods and shapes	258	154			

ating with the International Monetary Fund for a further standby credit to ease the exchange situation. The U.S. has already advanced \$20 million for currency support and it is likely that substantial credits for development projects and other uses will be released from other sources when the standby agreement is concluded. Foreign assistance of this size, coupled with the economic reforms in effect, could do much to reinvigorate the economy in 1966.

Canada's Sales

Canadian exports to Colombia have been cut back this year, reflecting the import austerity put into effect to conserve foreign exchange. Our total exports to Colombia by the end of July amounted to Canadian \$9,127,000 compared with \$11,437,000 for the same period of 1964. Total Colombian imports are

currently running approximately U.S. \$100 million behind 1964 so our trade is probably doing a little better than we might expect under the circumstances. (See Table I.)

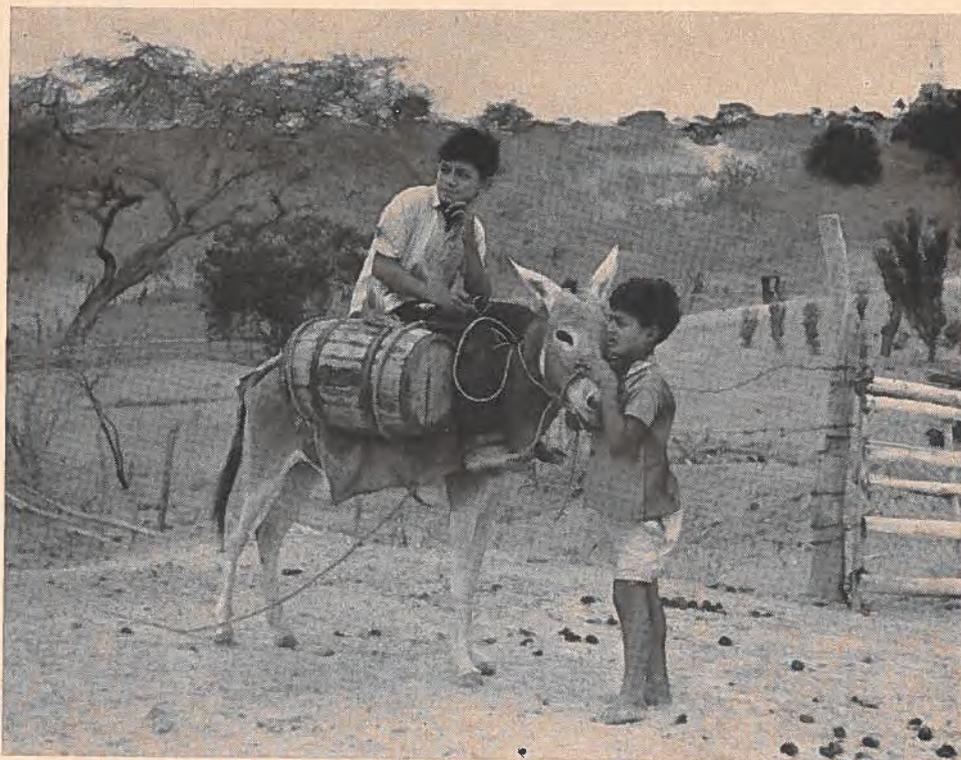
Canada's export trade with Colombia traditionally has consisted of primary or semi-finished materials such as newsprint, chemicals, asbestos and metals. Occasionally substantial sales of heavy equipment such as boilers have been made. In normal years, these materials are purchased in more or less constant quantities with a tendency to increased sales as the general level of industrial activity in Colombia rises. This year, however, the cutback in imports has reduced sales considerably to date and is expected to continue to affect our exports until about the end of the year. Some non-traditional sales of wheat and oat groats have helped to prevent

the cutback from being as large as it might otherwise have been.

Improvement in Colombia's economic and balance-of-payments problems will be contingent on the country receiving considerable foreign aid in the near future. It is probable that assistance will be granted but it is not yet known in what quantities. It is expected, however, that there will be a return to more normal levels of imports (about U.S. \$40 million per month) for at least part of 1966. A number of additional development projects in the public sector should also receive the "go ahead" for 1966 as funds are approved. There may also be new opportunities for classes of imports formerly restricted as Colombia progresses with its plan to move more items to the free list in the coming months. Interested Canadian exporters should check the new import regulations with the Office of Trade Relations of the Department of Trade and Commerce in Ottawa, or consult with the Commercial Secretary, Canadian Embassy, Apartado Aéreo 8582, Bogotá, Colombia, on any new opportunities and to determine whether their products can be competitive under the present rates of duty.

Although some immediate improvement is expected in Colombian business conditions for the first part of 1966, this may be a year of uncertainty because of the presidential and congressional elections scheduled for mid-year.

After experiencing considerable industrial growth and economic expansion and receiving much foreign aid in recent years, Colombia is currently going through a period of readjustment. This has meant lower levels of economic activity and has pointed up the seriousness of the chronic balance-of-payments problem. Foreign aid can provide relief but the country's problems are deep-seated and long-term solutions will depend on future sound administration and commercial policy. ●



Ecuador's development plans stress water supply, irrigation and power. In the province of Manabi, for example, where water is often provided from casks loaded onto burros, a Canadian company has been working on a UN Special Fund study of hydrological resources.

Ecuador

- ▶ Exports of bananas down but other sales up.
- ▶ Imports from Canada rose to \$5.72 million in 1964.
- ▶ Prospects for continued sales of Canadian wheat good.

J. G. IRELAND, *Commercial Secretary, Bogota.*

ECUADOR is the world's largest producer and exporter of bananas and the country depends on this crop for between 60 per cent and 65 per cent of its export earnings. The dangers of this heavy dependence on one crop have been clearly illustrated over the past few months.

From the middle of 1963 until the end of last year, Ecuador was blessed with buoyant business conditions. During 1964 it achieved a balance-of-payments surplus for the third year running. Its gold and foreign exchange reserves reached an all-time high and the free market rate for the sucre remained stable

at about S.18 to the U.S. dollar. Almost from the beginning of 1965, however, things went badly for the banana trade. A sharp reduction in shipments to the U.S. as a result of maritime strikes was followed by severe price competition on world markets and disappointing sales to countries which had been developing nicely as new markets—especially Japan, Germany and Belgium.

During the first three months of 1965, banana exports by volume were 41 per cent lower than during January-March 1964. Although from mid-year on the situation improved, shipments during January-August 1965 were 35 per cent

smaller than during the same period of 1964—or 18.9 million stems compared with 28.9 million. Gold and foreign exchange reserves, which totalled U.S.\$50.4 million at the beginning of 1965, had fallen to U.S.\$38.9 million by the end of May and U.S. \$32.8 million by the end of August—the lowest point in many years.

It has been fortunate for Ecuador that exports of other commodities, particularly coffee and cocoa but also pyrethrum, sugar and certain fish products, increased substantially during 1965. Total exports during the first seven months of 1965 actually rose slightly to U.S. \$68.3 million compared with U.S. \$65.3 million during the same period of 1964.

During the early months of 1965, however, for the first time in a number of years imports outpaced exports. The result was that by March 31 the deficit on trade account was nearly U.S. \$10.0 million, but by July 31 it had fallen to U.S.\$ 7.0 million. The surge in imports in early 1965 which brought about this situation was the direct result of stockpiling by importers in anticipation of the new customs tariff which was to go into effect on May 1, 1965. This tariff would have placed prohibitively high import restrictions on a number of luxury and non-essential items and was generally more protectionist than the former one. The important Guayaquil business community twice organized general strikes in protest against the tariff but called them off when the Government agreed to suspend it and to make further detailed studies with a view to possible revisions. Substantial concessions were made and the revised tariff is now in effect.

Trade with Canada

Canada has fared well in its trade with Ecuador over the past two years and our exports rose from \$3.91 million in 1963 to \$5.72 million in 1964. During the first eight months of 1965 they reached \$3.07

PRINCIPAL CANADIAN EXPORTS TO ECUADOR

	Jan.-June	
	1964	1965
	(Can.\$'000)	
Grand total, all products	5,717	1,796
Of which:		
Wheat except seed	3,431	559
Apples fresh	34	3.5
Oat byproducts	53	23
Asbestos milled fibres	113	31
Newsprint paper	360	145
Writing and reproduction paper	223	97
Yarn and thread of one synthetic fibre	22	1.3
Tallow inedible	252	477
Sheet and strip steel	141	....
Pipes and tubes iron steel	87	117
Aluminum fabricated materials	41	8
Copper pipe and tubing	47	1.3
Insulated wire and cable	21	9
Asbestos brake linings and facings	29	21
Power boilers, equipment and parts	119	....
Locomotives and tenders, engines and parts	35	14
Spark plugs and parts	42	2
Card punch machines, computers and parts	57	.4
Toilet paper packaged	85	26
Contractor's equipment and tools	82	51

Source: DBS statistics, including all items valued at more than \$20,000 in 1964.

million compared with \$2.95 million during the same period of 1964. Canadian imports from Ecuador, chiefly bananas, totalled \$9.35 million in 1964 compared with \$7.63 million in 1963.

Canada's exports to Ecuador consist of a fairly long list of items, although in most years wheat accounts for anything up to 60 per cent of the total. Table I shows Canada's leading exports to Ecuador during 1964 and the first six months of 1965.

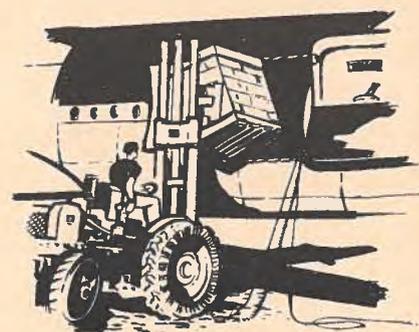
Future Prospects

The military junta which has ruled Ecuador since July 1963 has called for free elections and a return to constitutional government for the middle of 1966. As there is no possible way of knowing what economic policies the new Govern-

ment will follow, trade predictions beyond the middle of next year are only tentative at best. For this reason and also because banana sales remain sluggish, many members of the business community are pessimistic about the future. In addition, some businessmen are doubtful whether sales of coffee, cocoa and other commodities will remain at the current high level. In fact Ecuador has already oversold its International Coffee Agreement quota by nearly one-third and is now attempting to negotiate an increase.

On the positive side some businessmen are at least hopeful that there will be no further tightening of import controls when a new government takes power. There is also the encouraging fact that during the past year or so Ecuador purchased practically all its non-PL 480 requirements of wheat from Canada and prospects for a continuation of these sales in the coming year appear promising. Sales of Canadian newsprint and fine papers can expect to meet ever-increasing competition from LAFTA producers.

Provided that Ecuador has a smooth return to a constitutional Government and places no further restrictions on imports, 1966 could be a rewarding year for Canadians exporting to this small and competitive but still relatively open market. Canadian businessmen wishing to explore the Ecuadorian market are invited to contact the Commercial Secretary, Canadian Embassy, Apartado Aéreo 8582, Bogotá, Colombia. ●



Shipping Services from Canada to South America

	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
TO: ARGENTINA	Moore-McCormack Lines <i>(Balfour Guthrie (Canada) Ltd., Vancouver)</i> Westfal-Larsen Line <i>(Empire Shipping Co. Ltd., Vancouver)</i>	Moore-McCormack Lines <i>(Moore-McCormack Lines (Canada) Limited, Toronto)</i>	Argentine Line <i>(Shipping Limited, Montreal, Toronto)</i> Brodin Line <i>(Montreal Shipping Co. Ltd., Montreal, Toronto, Halifax, Saint John)</i> Columbus Line <i>(Kerr Steamships Limited, Montreal, Toronto, Halifax, Saint John)</i> Moore-McCormack Lines <i>(Moore-McCormack Lines (Canada) Ltd., Montreal)</i> Uruguayan Line <i>(Federal Shipping Agencies Ltd., Montreal, Toronto)</i>
BOLIVIA	<i>Via Antofagasta, Arica</i> Grace Line <i>(C. Gardner, Johnson Limited, Vancouver)</i> Westfal-Larsen Line	<i>Via Santos, Buenos Aires</i> Moore-McCormack Lines	<i>Via Santos, Buenos Aires</i> Brodin Line Columbus Line Moore-McCormack Lines Uruguayan Line <i>Via Antofagasta, Arica</i> West Coast Line <i>(Saguenay Shipping Limited, Montreal, Halifax; A. O. Minshall Co., Hamilton, Toronto)</i>
BRAZIL	Moore-McCormack Lines Westfal-Larsen Line	Moore-McCormack Lines	Booth Line <i>(March Shipping Agency Ltd., Montreal, Toronto)</i> Brodin Line Columbus Line Lamport and Holt Line <i>(March Shipping Agency Ltd., Montreal, Toronto)</i> Moore-McCormack Lines
CHILE	Grace Line Westfal-Larsen Line		West Coast Line

Shipping Services from Canada to South America

	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
COLOMBIA	Grace Line Grancolombiana Line <i>(Balfour Guthrie (Canada) Limited, Vancouver)</i> Westfal-Larsen Line		Grancolombiana Line <i>(Swedish American Line, Montreal; Furness Withy & Co. Ltd., Toronto, Halifax, Saint John)</i> West Coast Line
ECUADOR	Grace Line Grancolombiana Line Westfal-Larsen Line		Grancolombiana Line West Coast Line
PARAGUAY	<i>Via ports in Argentina, Brazil and Uruguay</i>	<i>Via ports in Argentina, Brazil and Uruguay</i>	<i>Via ports in Argentina, Brazil and Uruguay</i>
PERU	Grace Line Grancolombiana Line Westfal-Larsen Line		Grancolombiana Line West Coast Line
URUGUAY	Moore-McCormack Lines Westfal-Larsen Line	Moore-McCormack Lines	Argentine Line Brodin Line Columbus Line Moore-McCormack Line Uruguayan Line
VENEZUELA	Fern-Ville Caribbean Line <i>(Dingwall Cotts and Co. Ltd., Vancouver)</i> "K" Line <i>(Johnson, Walton Steamship Co. Ltd., Vancouver)</i> Moore-McCormack Lines	Great Lakes Transcaribbean Line <i>(Protos Shipping Ltd., Toronto)</i> Saguenay Shipping Ltd. <i>(A. O. Minshall Co. Ltd., Hamilton, Toronto)</i>	Great Lakes Transcaribbean Line <i>(Transocean Shipping and Coal Co. Inc., Montreal)</i> Royal Netherlands Steamship Co. <i>(Montreal Shipping Co. Ltd., Montreal, Toronto, Halifax; T. J. Knight & Co. Ltd., Saint John)</i> Saguenay Shipping Ltd. <i>(Saguenay Shipping Ltd., Montreal, Halifax; A. O. Minshall Co. Ltd., Hamilton, Toronto)</i>

Paraguay

- ▶ Economy improves as industry and agriculture advance.
- ▶ Projects under way or planned total \$121 million.
- ▶ Canadians could supply heavy equipment and services.

H. E. RYAN, *Assistant Commercial Secretary (Agriculture,)* Buenos Aires.

TABLE I
PARAGUAY'S EXPORTS

	1961	1962	1963	1964	First 8 months	
					1964	1965
	(\$ million)					
Cotton fibre	1.6	2.5	3.2	4.2	3.1	3.3
Coffee	1.0	2.8	3.3	3.2	1.8	1.3
Tobacco	1.5	3.1	3.2	3.7	2.2	1.9
Fruits	0.2	0.3	0.3	0.4	0.2	0.3
Sugar	0.3	.....	0.7	0.4	0.1	0.1
Corn	0.3	0.3	0.1	0.3	0.1	0.2
Sawn lumber	1.9	1.8	1.0	1.7	0.8	1.7
Logs	4.6	4.8	3.7	5.4	3.2	5.0
Meat	8.6	7.5	10.5	14.7	11.5	13.4
Hides	2.0	1.7	1.5	1.3	0.7	1.0
Tung oil	1.4	1.6	2.7	2.7	2.0	0.8
Essential oils	1.0	1.1	1.3	1.5	0.9	0.8
Quebracho extract	2.6	2.5	2.8	4.0	2.2	2.0
Others	3.7	3.5	5.9	6.3	3.8	4.8
Total	30.7	33.5	40.2	49.8	32.6	36.6

Source: Central Bank of Paraguay monthly bulletin of statistics.

TABLE II
PARAGUAY'S IMPORTS

	1961	1962	1963	1964	First 8 months	
					1964	1965
	(\$ million)					
Wheat and flour	4.7	5.3	4.9	4.8	3.2	3.1
Other foods, beverages, tobacco	2.7	2.2	2.8	2.0	1.7	1.1
Fuels and lubricants	3.5	3.5	4.0	4.1	2.7	3.1
Paper and cardboard	0.9	0.8	1.0	1.1	0.8	1.0
Chemicals and drugs	1.5	1.6	1.7	1.9	1.2	1.5
Transportation and accessories	8.1	5.1	3.8	4.6	3.1	4.1
Textiles	2.7	3.1	2.3	2.7	1.8	2.2
Agricultural equipment	0.4	0.3	0.3	0.5	0.3	0.5
Iron and steel	1.6	1.6	1.5	2.0	1.3	1.8
Other metals	1.1	1.0	1.7	1.6	0.8	1.4
Machinery and motors	3.9	5.5	4.1	4.9	2.6	5.3
Others	3.6	4.2	4.4	3.4	1.9	2.6
Total	34.7	34.2	32.5	33.6	21.4	27.7

Source: Central Bank of Paraguay monthly bulletin of statistics.

PARAGUAY continued to develop economically during 1965. Industrial activity during the first half of the year remained at the previous year's level, notwithstanding a poor second quarter caused partly by adverse weather. It is estimated that at the end of 1965 levels of production and sales surpassed those of 1964. Retail sales remained strong, the cost of living rose only 3 per cent, and wage rates were again held in check.

During the first half of 1965, money in circulation increased 19 per cent, mainly because of the rise in time deposits by over 45 per cent. With more money in circulation bank credit eased slightly and by the end of June was 22 per cent higher in the private sector and 9.9 per cent higher in the public sector than in June 1964. Government expenditure increased 40.6 per cent, revenue 31 per cent. Exports over the first eight months of 1965 rose approximately 10 per cent to \$36.6 million, primarily because of larger meat shipments; imports kept pace and increased by \$6.3 million to \$27.7 million.

Convertible foreign exchange reserves during the first six months of 1965 had climbed sharply to \$6.2 million from \$1.8 million the year before. This does not mean that the country has solved its exchange problems, although the position has improved somewhat over 1964. Exchange remains difficult to obtain and remittances have in certain instances been slow. Prior deposits are applied to some items and surcharges remain in effect.

Agricultural Output

Paraguay suffered heavy rains and floods early in 1965 and it was feared there would be a considerable drop in output. But although yields were affected in cer-

tain instances, higher acreage coupled with excellent pasture conditions for the all-important livestock industry, resulted in a fairly satisfactory agricultural year.

Cattle slaughter for export increased by over 20 per cent and animals entering the market were in better condition than in 1964. Prices remained firm at about 25 guaranis per kilogram live weight. Total meat exports for the year are estimated at \$20 million compared with \$15 million in 1964. The cotton crop is estimated to be 14 per cent larger and over 25,000 tons of cottonseed oil should result from the harvest. Sugar cane production exceeded 50,000 tons which will mean a surplus of up to 15,000 tons of new crop sugar. The tobacco harvest of 15,000 metric tons was lower than in 1964, and prices were seven guaranis per kilogram compared with 12 guaranis in 1964. Tung oil output for 1965 is estimated to be 25 per cent less because of frost damage and prices dropped to five guaranis per kilogram. Coffee production, at 30,000 bags, was almost double that of 1964 and prices remained strong. Interest in soybeans continued to grow, and the 1965 crop trebled that of the previous year, at 3,500 tons of oil.

Industry Moves Ahead

During the first half of 1965, Paraguayan textile plants were working to capacity, with local demand increasing as rapidly as production. The construction industry suffered from poor weather but is now showing renewed strength. Cement consumption increased 14 per cent, and electricity approximately 4 per cent. The lumber industry improved production with both domestic and foreign demand stronger than in 1964. Construction of the first oil refinery, "Refinería Paraguaya S.A.", neared completion and should be sufficient to meet domestic requirements of approximately 3,200 barrels a day. In the communications field, the Asunción tele-

phone network is to be doubled in size, and a tender was recently awarded to Siemens for installation of 9,500 lines. The first TV station began operating in Asunción on August 15, 1965.

Foreign Aid Received

On August 11, 1965, Administración Nacional de Electricidad signed an agreement with the Franco-Italian group GIE-SPA which will build and equip a hydroelectric plant on the Rio Acaray. The group will provide U.S. \$11.6 million, 90 per cent of the total cost, for a period of 15 years at 6 per cent interest; first repayment is to be made after five years. The IADB is considering a loan of U.S. \$5 million to assist livestock development. The United Nations Special Fund approved a \$200,000 loan to finance studies of navigation of the Paraguay River. Further funds must be raised if these studies prove feasible and are to be implemented. The Government has signed a U.S. \$200,000 agreement with a United States consulting engineering company that will supervise the modernization of the port of Asunción. It has also applied for an IBRD loan of \$2.75 million to finance the project. West Germany reportedly has extended its loan of DM 12 million (1963) to DM 24 million to help develop small- and medium-size businesses. The loan is to be administered by the Banco Nacional de Fomento.

The Paraguayan Government recently announced that investments in development projects started in 1954 and still in progress had reached U.S. \$64 million of which 61 per cent had come from foreign sources. The total cost of this program is estimated to be U.S. \$121.3 million which includes investments in roads and road equipment of U.S. \$36.6 million; in industry, agriculture and land settlement \$26.4 million; in hydroelectric projects \$23.8 million; in improving water supplies \$12.4 million; in river transporta-

tion \$9.0 million; in public works \$4.0 million; in housing \$3.4 million, and in telecommunications \$2.7 million.

Plans under discussion call for an increase in cement production and the IADB is considering a proposal to expand the Vallemi cement plant. Extension of existing road systems, improvement of the international airport and of sewerage, water and telecommunications facilities are also being considered. Any programs which emerge from these various talks will require foreign financing.

Exports and Imports Up

The strong Argentine market for logs and sawn lumber and the European demand for meat resulted in an increase in Paraguayan exports during the first eight months of 1965; they totalled U.S. \$36.6 million compared with \$32.6 million during the same period in 1964. Total exports during 1965 will probably exceed the record \$50 million achieved the year before and will provide a needed trade surplus to alleviate the foreign exchange problems. Leading Paraguayan markets continue to be Argentina, the United States, Britain and the Netherlands. Of the commodities moving into export channels, meat and wood predominate, although it now appears that all goods, with the exception of cotton and coffee, increased during the year.

Imports rose rapidly during 1965, with all categories except foodstuffs increasing. In particular, transportation and other machinery and equipment moved into the country in greater volume because of pressing industrial needs and agricultural improvement programs. Imports were delayed for a short time early in the year when flooding on the river stopped traffic.

The agreement signed last year with Brazil, under which a land route to the Atlantic through Brazil would be made available to Paraguay, has resulted in a road system

being developed which will be open to traffic shortly. The Paraguayans are looking forward to the time when they can move their goods by truck to and from the Atlantic through Brazil and not be forced to rely entirely on the river system to Buenos Aires and Montevideo.

Machinery and equipment have surpassed wheat as Paraguay's major import, closely followed by fuels and lubricants, although there may be a reduction in this trade once the oil refinery begins production. Chemicals and textiles are also moving into Paraguay in greater volume. Iron and steel imports are not as large as one might expect for a country emphasizing industrial development but should grow in importance. It would appear that the steady growth of imports in the past five years will continue well into this year. The United States is now the major supplier to Paraguay, followed by Argentina, Germany, Britain and the Netherlands.

TABLE III
CANADIAN TRADE WITH PARAGUAY

	Exports to	Imports from
	(Can.\$)	
1959	113,824	745,996
1960	120,257	759,782
1961	68,670	874,437
1962	40,695	377,618
1963	210,503	830,538
1964	485,135	546,502
1965	99,684 (1)	190,000 (1) (2)

Source: Dominion Bureau of Statistics.
(1) January to July;
(2) Estimated.

Trade with Canada

Canadian trade with Paraguay declined considerably during the first half of 1965, both in exports and imports. The decline in exports resulted primarily from a large reduction in steel shipments which accounted for over 90 per cent of total exports in 1964. Shipments of newsprint, passenger and truck tires and auto chassis increased slightly

and small quantities of spark plugs, copper alloy and tubing, other machinery and equipment and chemicals entered the market. It now appears that total exports to Paraguay during 1965 are closer to the 1963 level than to the record established in 1964.

Paraguayan exports to Canada also declined during the first part of the year because of smaller shipments of corned beef and quebracho extract.

Paraguay is importing more and Canadian firms will find opportunities to supply heavy equipment, newsprint and consulting engineering services. The transportation, communications and public utilities fields are all in need of expansion and various projects are being studied. Canadian firms interested in this market are invited to write to the Commercial Counsellor, Canadian Embassy, Bartolome Mitre 478, Buenos Aires, Argentina. ●

ECLA and Its Role

THE Economic Commission for Latin America, better known as ECLA (or CEPAL in Latin America) is one of four regional commissions established by the United Nations in different parts of the world to study and seek solutions to economic problems, to raise the level of economic activity, and to strengthen the economic relations of member countries among themselves and with the rest of the world.

ECLA was founded in 1948 and has its headquarters in Santiago, Chile. A new headquarters building to which Canada contributed financially is currently being built in Santiago to house ECLA and other United Nations organizations and agencies resident in Chile. Branch offices are maintained in Mexico City, Washington, Rio de Janeiro, and Montevideo.

In addition to the regular Secretariat, ECLA has two permanent specialized organs created in 1955: the *Trade Committee* which studies problems of intra-regional trade, and the *Central American Economic Co-operation Committee* which provides technical assistance to the Central American Governments in matters of economic integration. (See *Foreign Trade of December 25, 1965.*)

ECLA has twenty-seven member countries, including all twenty Latin American republics, the United States, Canada, Trinidad and Tobago and, in respect of their dependencies in Latin America, France, the Netherlands, and Britain. British Guiana and British Honduras are non-voting associate members which enjoy all other privileges.

Canada became a full member in 1961 after being represented at earlier meetings by observers only. Membership is open to all countries of the United Nations in North, Central and South America.

The Commission meets in formal sessions every two years in one or other of the Latin American countries to lay down basic policies. In the off-years, a Committee of the Whole meets in Santiago to review the Commission's work and to report on progress to the Economic and Social Council. In addition to the regular sessions of the Commission, ECLA also convenes seminars and meetings of experts, often in conjunction with other international agencies.

Stemming from its primary function of collecting and disseminating economic information, ECLA has stimulated economic progress in Latin America by sponsoring the Central American Common Market and the Latin American Free Trade Association. Through its Commercial Policy Division, the Commission has explored in depth problems of trade between Latin American countries and with the rest of the world. Through its Industrial Development Division, it has examined the possibilities of integrating industry, utilizing human, natural and technical resources. Jointly with the Food and Agriculture Organization (FAO), ECLA has promoted agricultural development by area and by product.

—R. E. GRAVEL

Commercial Counsellor, Santiago.

Uruguay

- ▶ Foreign exchange shortage leads to import restrictions.
- ▶ Single fluctuating free rate for peso established.
- ▶ Canadian sales only slightly affected last year.

B. S. SHAPIRO, *Commercial Counsellor, Montevideo.*

BUSINESS CONDITIONS in Uruguay were particularly turbulent in 1965. Retail trade was very active in the early part of the year when wage increases and the devaluation of the peso led to a marked rise in sales, notably to tourists. Imports were still being paid for at the low controlled rate of Pesos 24 per U.S. \$1.00 and prices reflected this, with goods retailing at bargain rates.

However, in October the Government eliminated the fixed low rate of exchange for imports and established a unified fluctuating rate which opened at about the Peso 60 level. At one stroke the replacement value of all imported goods jumped by over 100 per cent. This resulted in a surge of price increases on goods, foodstuffs and eventually services. There was a simultaneous decline in domestic manufacturing and commerce and many manufacturers were afraid that their operations might be seriously curtailed by the shortage of imported materials.

Manufacturers were, however, placing increased emphasis on the possibility of exporting finished products to North America, to Europe or to other countries of Latin America. The exchange depreciation provided a pricing advantage which the more efficient manufacturers sought to turn to advantage. There is provision in the customs system for the special entry of materials and equipment when these are to be used by export industries and a number of industries began to adapt to the new selling conditions.

One of the weaknesses in the domestic picture was the low level of

construction activity. There was no immediate sign of an upturn in industrial construction after several years of decline. The contraction of credit and the higher costs of materials and labour resulted in a number of office and apartment buildings remaining unfinished. It should be pointed out that at the same time the demand for housing

continued strong, especially for use by tourists and foreigners seeking to take advantage of the attractive Uruguayan climate and beaches. However, building of new housing continued at a modest level.

One startling and obvious aspect of the devaluation and the restriction on imports was the very sharp rise in the cost of parts, repairs, gasoline and oil for automobiles.

Power Development Continues

The State Power and Telephone (UTE) organization continued with its plans for the expansion of power facilities. The Palmar project seemed to have priority and UTE was preparing to hire consulting engineers to work on changes that must be made in the original plans. These changes are necessary be-



These seed potatoes from New Brunswick are being unloaded at Montevideo. Seed potatoes bulk large among our exports to Uruguay; we sold \$1.2 million worth in '64.

cause Palmar, although initially designed as a turnkey project, is now to be carried out in separate contracts.

Foreign Exchange Shortage

Foreign exchange was in very short supply during the latter part of 1965. A large volume of overdue commercial debts accumulated but the Government announced no clear procedure for liquidating the accounts of those importers who had deposited their peso payments with the banks but had not received foreign exchange for transfer abroad. Exporters and importers urged the Government to resolve this important matter as quickly as possible. After the unification of the rate, exchange became available to importers once again, although at the very much higher rate.

Agricultural Exports Rise

Exports continued to increase throughout 1965 and in addition to

the traditional wool and meat shipments, substantial quantities of eggs went to Europe. Textiles, fruit juices, marble, leather goods, and other commodities also sold abroad in greater volume. The value of exports in the first nine months of 1965 totalled U.S.\$150 million compared with U.S.\$138 million in the same period of the previous year. Exports of wool in the grease, tops and noils during the first ten months of the year increased 60 per cent over the same period in 1964. To further exports of meat, the Government of Uruguay imposed restrictions on the domestic sale of beef and mutton for three days of each week during the latter months of the year.

It also formulated extensive plans to stimulate the export of fruit. There was evidence of a slow but steady increase in agricultural production over the last few years, and in this field the Government made efforts to use the World Bank's

second loan of U.S.\$12.7 million for agricultural and livestock development. The first such development program had benefitted over a five-year period some 14,000 farms with a total area of 850,000 hectares.

Imports Restricted

Severe restrictions and embargoes were imposed on imports during 1965. In October, concomitant with the establishment of a unified free rate of exchange for the peso, the Government announced that only the most essential items would be permitted entry, and placed an embargo on all other goods. Most of these imports, however, were made subject to prior deposits, to be retained for eight months, equal to 100 per cent of the value of the import. All goods normally subject to surcharges of 60 per cent or more were prohibited for 180 days following the October announcement. The result was a very sharp decline in the registration of new imports during the rest of the year. In November, the rules were eased somewhat to permit entry of more capital goods.

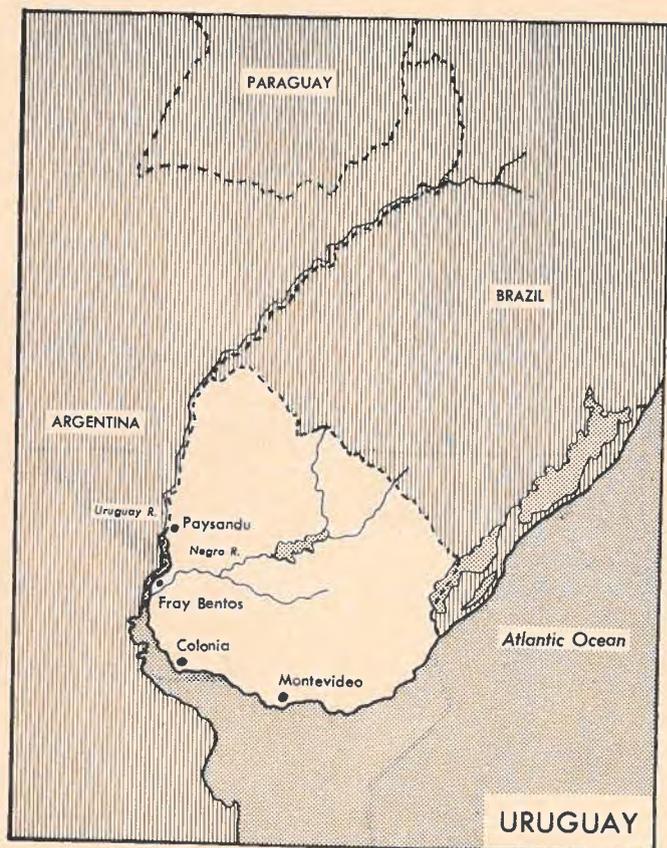


TABLE I
CANADIAN EXPORTS TO URUGUAY
(Can. \$'000)

Seed potatoes	116
Synthetic fibres	178
Asbestos	90
Newsprint paper	525
Aluminum	43
Passenger automobiles and parts	218
Steel sheet and strip	107
Agricultural implements	39

Trade with Canada

Canadian exports to Uruguay during 1965 were maintained fairly well relative to previous years. Despite Uruguay's severe import restrictions as a result of balance-of-payments problems, our sales for the first seven months of 1965 totalled \$1.7 million, compared with \$1.9 million in 1964. Table I lists the principal items. ●

Venezuela

JOHN D. BLACKWOOD,
Commercial Secretary, Caracas.

- ▶ Trade surplus exceeded \$1.5 billion in '64.
- ▶ Industry's contribution to GNP increasing.
- ▶ Government has decided to join LAFTA.

THE economic progress and expansion characteristic of Venezuela in recent years continued throughout 1965. Most indicators of business activity reached a record high and businessmen and economists view 1965 with satisfaction and 1966 with optimism. Despite the creation of new jobs, however, over 10 per cent of the labour force continues to be unemployed. The oil industry, for example, provides two thirds of the Government's revenue and 90 per cent of its foreign exchange earnings but employs only 2.5 per cent of the work force. Providing employment is thus the country's most pressing problem. The population is growing at the rate of 3.5 per cent a year and over 45 per cent of it is under 15 years of age. The resulting social problems must be solved if leftist and Communist pressures are to be repulsed in Venezuela.

Since 1959, Venezuela's gross national product has been increasing at an average annual rate of over 5 per cent. In 1964 it rose to 7 per cent and 1965 is expected to show a similar increase, with the GNP exceeding bolivars 35 billion. Despite a few problems, there is a general feeling of confidence in the business sector and foreign investment continues to flow in. At the time of writing, Banco Central foreign exchange reserves totalled roughly U.S. \$850 million, the largest in Latin America.

Financial Situation

Recent increases in the money supply raised some fears of inflationary pressures, but prices have remained relatively stable for several years now and the Government will attempt to keep prices of basic foodstuffs at current levels.

Another expression of confidence in the country's future was the placing of a U.S. \$15 million Venezuelan bond issue at 6½ per cent interest on the New York market. This first public offering in modern times was taken up in its entirety almost at once.

On the last day of 1964, a presidential decree went into effect whereby all but two commodities—powdered milk and wheat—were removed from the list of imported merchandise qualifying for the government subsidy of bolivars 1.15 per U.S. dollar, thus virtually completing the devaluation of the bolivar begun on November 8, 1960. With its large reserves and a heavily favourable balance of trade, there seems to be no reason why the bolivar should not remain freely convertible and stable at bolivars 4.50 to the U.S. dollar. The Venezuelan authorities have expressed a desire to abolish the remaining exchange controls and thereby to assume IMF Article 8 status. As of 1966, the IMF will consider Venezuela's bolivar as one of the currencies recognized for international settlements, a measure of confidence previously given only to the Mexican peso among the Latin American currencies.

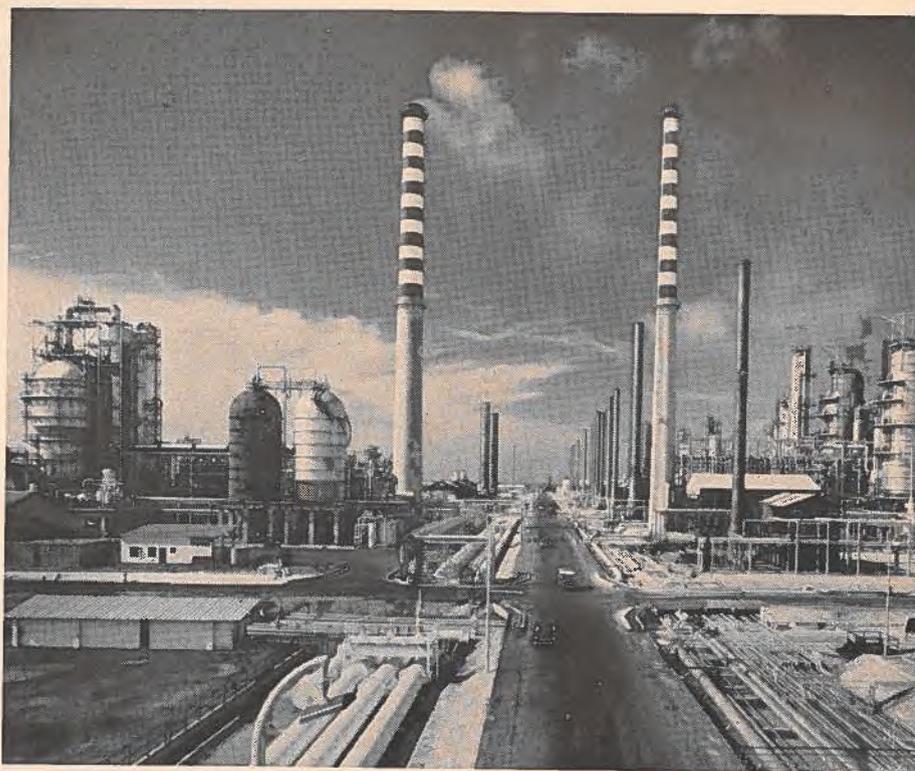
Despite Venezuela's large earnings of foreign exchange, foreign loans supply funds for many important projects, particularly in the field of public works. Under the "Alliance for Progress" loans have been granted for agrarian reform, water supply, low-cost housing and other community development projects. The Inter-American Development Bank and the World Bank both are active and the most recent credit opened was a U.S. \$37 million World Bank loan for extension and modernization of the telephone

system. One major project now under study, the proposed Caracas subway, will require large-scale foreign borrowing or supplier credits.

1966 Budget Presented

In October 1965 the budget for 1966 was presented to the Congress. It calls for spending bolivars 7,852 million compared with bolivars 7,260 million last year. This will be obtained from ordinary revenues of bolivars 7,634 million (of which the oil industry is expected to provide bolivars 4,925 million) and the remainder is to be met from foreign loans. The budget falls into three major divisions: bolivars 4,657 million for government expenses, bolivars 318 million for public debt retirement, and bolivars 2,877 million for development and investment.

One of the chief expenditures will be on education for which bolivars 1,001 million (or 13 per cent of the total budget) has been earmarked. The goals in this field are the education of 1.2 million students, the construction of new school buildings, and the training of teachers. The next largest share of the budget has been allotted to the Ministries of Defence and Justice and to the police, with bolivars 938 million, or about 12 per cent of the total. Agricultural development will take bolivars 756 million for investment in agriculture and livestock, representing roughly 10 per cent of the budget. Bolivars 612 million are earmarked for industrial development, approximately three quarters of which will go to develop basic industries administered by the Government. Transport and communications will receive bolivars 1,061 million of which bolivars 682 million will go to the Ministry of Public Works, 96 million to the Ministry of Finance for port services, and 283 million to the Ministry of Communications. The budget is expected to be passed substantially as presented.



Oil continues to be the chief contributor to Venezuela's GNP but manufacturing is expected to overtake it shortly. Picture shows the Shell refinery at Cardon.

Will Join LAFTA

Venezuela's trade surplus has been substantial in recent years and exceeded \$1.5 billion in 1964, with exports totalling bolivars 11.1 billion as against imports of bolivars 4.9 billion. Petroleum exports have been rising, although not as fast as other exports which now contribute some 10 per cent to the total compared with only 3 per cent in 1960. Iron ore accounts for about half of the non-petroleum exports and with proven reserves estimated at 1,500 million tons, there is potential for further growth.

From the point of view of Venezuela's trade relations with Latin America and other countries of the world, the most important single event of 1965 has been the recent decision by the Government to enter LAFTA. This move comes after a long-drawn-out dialogue between private enterprise and the Government as to whether Venezuela

should enter that organization and under what conditions. Private enterprise spokesmen maintain that Venezuela should not enter LAFTA unless its structure is modified—arguing that Venezuela's higher prices and costs would put its producers in an uncompetitive position compared with the rest of LAFTA. The Government has chosen to give greater weight to non-economic factors in making the decision to join, contending that because of cultural, emotional, geographical and historical bonds, Venezuela cannot remain outside this Latin American organization of brother nations. Detailed discussions within LAFTA about Venezuelan adherence have not yet begun and of course Venezuela may have to insist on certain reservations and exceptions.

Petroleum and Iron Ore

Venezuela still holds its position as the third largest oil producer

in the world, after the United States and the U.S.S.R. Production in 1965 is estimated at 3.55 million barrels per day. Output has not risen much in the past few years and reserves have remained fairly constant because of the Government's "no concession" policy which is expected to be replaced by a service contract formula. The Venezuelan authorities blame the static position of their oil industry on United States import restrictions. However, other factors are also limiting production, such as higher production costs than those of the Middle East and African producers. Also, Venezuela's taxation system, combined with a firm resolve to resist further price erosion, makes Venezuelan oil increasingly less attractive to major international marketers.

Oil companies estimate that the present proven reserves in Venezuela continue to be about 17 billion barrels but Venezuelan Government authorities put this figure much higher. Agreement on a figure for the reserves is difficult because it must include an estimate of the extent of secondary recovery.

Venezuela's iron ore exports for the first nine months of 1965 totalled 13.2 million metric tons, an increase of almost 19 per cent over the same period of 1964, largely because of greater U.S. demand. In percentage terms, these exports went to: United States 73 per cent, West Germany 11 per cent, Britain 10 per cent, Italy 5 per cent, Japan, the Netherlands and Canada slightly over 1 per cent.

Agriculture Being Aided

Venezuela's agricultural production in 1964 was valued at bolivars 2,263 million, 8.6 per cent over the 1963 figure, but roughly only 7 per cent of the GNP. It is estimated that 1965 production increased by about the same amount because of satisfactory harvests of all major crops. Despite the relatively small size of the agricultural sector of the Venezuelan economy,

government policy is promoting increased production and modernization. An important part of the assistance program for agriculture is the agrarian reform, an effort to help small farmers and offer them credits. The goal was to settle 40,000 families on their own farms in 1965, with the necessary land purchased from large landholders and supplied from public lands. Other major government activities include financial support to the milk, sugar, livestock, coffee and cocoa industries.

Industrial Development

The year 1966 may represent another landmark in Venezuelan economic history because manufacturing industry may, according to the Venezuelan Development Corporation, replace oil as the chief contributor to the GNP by the end of that year. According to these estimates, the GNP will reach bolivars 36,677 million by the end of 1966, with contributions as follows:

	Per cent
Industry	28.8
Petroleum	20.4
Agriculture	7.2
Services	43.6
	100.0

An Inter-American Development Bank study set the growth rate of the industrial sector at a yearly average of 13.5 per cent for the 1962-1966 period. Statistics on industrial development for 1964 show that more than 1,000 industrial companies were formed that year, with a total investment of bolivars 1,142 million. Of these new companies, 623 are in the metropolitan area of Caracas and the remainder in the interior. Investment was heaviest in electric power, metalworking, foodstuffs, construction materials and textiles. The chemical industry, one of the slowest to develop, showed an impressive gain of 235 per cent over 1963 and the government-owned Venezuelan Petrochemical Institute (IVP) has planned a series of some 23 pro-

jects, based around its existing complex located at Moron (see *Foreign Trade* of October 16, 1965, "Venezuela Plans Industrial Expansion").

Because of a construction boom now in progress, cement production for 1965 is expected to top the previous record of 1,867 thousand metric tons in 1959. The Ministry of Development has estimated the value of new construction in Caracas alone at over bolivars 700 million; 1965 thus set a new record for urban construction.

Industrial development is expected to continue its expansion in 1966, fostered by government policy. This is aimed at attaining a more balanced economy through wider use of Venezuela's resources, to diminish the present dependence on oil production, and to create badly needed jobs for the unemployed.

One of the manufacturing industries making the greatest progress is food and beverages. Calculated at 1960 prices, this industry increased its production from bolivars 928 million in 1950 to bolivars 3,720 million in 1964. During the same period, employment rose from 17,900 to 42,400. Basically this growth has taken place since 1958 and has resulted mainly from government protection in the form of prohibitory import tariffs and the extension of credit to the industry. The results are evident from a casual walk through a Caracas supermarket where many familiar labels on closer examination are found to bear the inscription "Hecho en Venezuela" or "Made in Venezuela".

Given the determination of Venezuela's Government to industrialize and diversify the economy, 1966 is expected to be another year of economic progress and prosperity. Government and private investment, combined with strong consumer demand, should provide interesting possibilities for Canadian goods.



Canada's Trade with Venezuela

Canadian sales rose 38 per cent last year but pattern of exports is changing as Venezuelan development proceeds.

J. D. BLACKWOOD, *Commercial Secretary, Caracas.*

TRADE RELATIONS between Canada and Venezuela have long been featured by a large surplus in favour of Venezuela. Nevertheless, in 1964 Venezuela was our leading customer in Latin America, buying \$64 million worth of Canadian exports.

Canada represents the second largest market for Venezuelan products, following the United States. (Venezuelan figures show the Netherlands Antilles in second position but this trade basically involves only crude oil for refining and re-export.) Venezuelan shipments to Canada in 1964 totalled \$270.6 million as against \$243.5 million in 1963.

TABLE I
VENEZUELA'S MAJOR EXPORTS TO CANADA, 1964

	(Can.\$)
Crude oil and products	269,508,361
Cocoa	121,690
Coffee (green)	438,682
Refined sugar	427,885
Total	270,496,618

Source: DBS

In addition, Canada in 1964 imported almost \$35 million of petroleum products from the Netherlands Antilles, where the two major refineries are based on Venezuelan feedstock.

Sales Pattern Changing

Although Venezuelan exports show a consistent (and gradually expanding) tendency, its import patterns have been changing constantly. As the fifth major supplier

to Venezuela, Canada's export performance has been shaped by the agricultural and industrial development policies pursued by Venezuelan authorities. For instance, at one time Venezuela was a major

market for Canadian flour; now, after the erection of a number of mills, it has become an important high-quality wheat customer, buying about \$21 million worth of Manitobas in 1964. As another ex-

TABLE II
MAJOR CANADIAN EXPORTS TO VENEZUELA

	1963	1964	6 mos. 1965
	(Can.\$'000)		
Agricultural Products			
Cattle, purebred	45	77	48
Pork, fresh frozen	135	661	5
Salmon, pink canned	103	113	44
Milk powder, whole	6,918	7,367	5,564
Milk powder, skim	239	521	482
Oats, n.e.s.	539	411	101
Wheat except seed	14,199	20,763	7,549
Malt	677	604	363
Oatmeal and rolled oats	520	.....	.....
Apples, fresh	4	85	85
Potatoes seed	927	1,126	1,075
Potatoes n.e.s.	.....	75	.....
Sub-total	24,306	31,803	15,318
Industrial Materials			
Asbestos	370	657	177
Sulphur	.....	388	261
Wood pulp	1,473	782	495
Newsprint	2,396	2,788	1,692
Book and fine papers	474	752	802
Yarn and thread	116	1	6
Papermakers' felts	139	210	.....
Plastic and synthetic rubber	1,932	2,059	556
Plastic film and sheet	383	352	243
Industrial chemical specialties and explosives	230	135	101
Sheet and strip steel	2,526	4,470	2,322
Aluminum	743	664	697
Copper	1,535	1,999	798
Zinc	16	187	20
Sub-total	12,333	15,445	8,170
Manufactured Products			
Whisky	120	35	1
Oilcloth	44	114	69
Inorganic chemicals n.e.s.	163	186	114
Organic acids and derivatives	58	135	168
Nuts, bolts, screws, washers	160	160	127

FOREIGN TRADE

ample, currently our powdered milk shipments are large but by 1970 Venezuela hopes to be self-sufficient in milk production. Canadian exports to Venezuela doubled in the first half of this decade. As Table II shows, exports from Canada in 1964 rose remarkably—approximately 38 per cent over the previous year. This increase of \$17.8 million resulted partially from a large jump in wheat sales (\$6.6 million) and the emergence of automobile chassis and parts as a major new trade item. The first half of 1965 saw further impressive gains

totalling \$41.8 million, of which \$12.8 million was made up of automotive items. (Because of model changeover, the bulk of these shipments occur in the first six months of the year).

The bulk of automobile parts from Canada is shipped to related Venezuelan assembly plants. General Motors de Venezuela assembles all its Acadian, Chevrolet and Pontiac production from completely knocked down shipments from Canada. Total exports of these products may hit the \$25-\$30 million range; however, the Venezuelan

Government has announced that by 1970 all vehicles assembled here must have a domestic content of 70 per cent by weight.

If this automotive trade is not taken into account, our exports of manufactured goods have not gained significantly because of protection granted to new industrial endeavours. Increasingly our opportunities in this field of manufactures will be restricted to items not "Hecho en Venezuela", but new opportunities for supplying essential raw materials and components are being created daily. Canadian exporters and manufacturers should stay in close touch with the Venezuelan market and be prepared to be flexible in their sales policy. A market can open or close overnight. In the initial stages at least, many of the young secondary industries of Venezuela are basically assembly operations. Because much of this industrialization is the result of foreign investment, the market for some required components or assemblies may be captive to or controlled by parent firms. Exporters with active agents may be able to protect their interests by offering assemblies or components whenever their end product market is curtailed and investment in productive facilities here may be necessary if a share of the market is to be maintained. Certainly this rich Texas-size country is worth study by any manufacturer who wishes to increase his exports or to invest abroad. ●

TABLE II
MAJOR CANADIAN EXPORTS TO VENEZUELA

	1963	1964	6 mos. 1965
	(Can.\$'000)		
Valves	219	369	154
Insulated wire and cable	284	295	25
Industrial furnaces, ovens and parts	....	115	8
Rock drilling, related machinery and parts	25	63	62
Mining oil gas industrial machinery and parts	212	188	176
Textile industrial machinery and parts	19	100	27
Pulp paper industrial machinery and parts	46	218	4
Agricultural machinery and equipment	197	611	235
Autos, passenger and chassis	1,859	5,330	12,045
Road motor vehicle parts	445	1,444	782
Engine marine and parts	346	114	109
Telephone apparatus and parts	12	29	46
Radio receiving sets	....	29	....
Television receiving sets	43	453	....
Radio, TV, equipment and parts n.e.s.	110	188	....
Communications equipment components	2	34	34
Switchgear	102	71	206
Spark plugs and parts	116	131	66
Electrical equipment for internal combustion engines parts n.e.s.	107	330	31
Washing machine and laundry equipment	552	686	330
Electrical measuring instruments and parts	45	70	96
Card punch machinery and parts	379	597	280
Office machines and parts	21	24	....
Clocks movements and parts	44	49	47
Ophthalmic lenses	19	51	39
Veterinary medicines, feed supplement	....	....	29
Toys	20	5	....
Biological and medical supplies	136	170	65
Non-electrical lighting fixtures and parts	112	152	80
Prefabricated buildings and parts	209	420	33
Sub-total	6,226	12,965	15,425
Total of major trade items	42,865	60,213	38,913
Total, including all exports	46,328	64,075	41,835

Source: Dominion Bureau of Statistics.



Import and Exchange Regulations in South America

The following is a brief and up-to-date summary of the import and foreign exchange regulations in South American countries covered in this issue.

*Latin American Division,
Office of Trade Relations.*

Argentina

Import licences—not required. Importer must make a deposit of 50 per cent of the c.i.f. value at the time of making the customs entry; deposit is held for 180 days.

Foreign exchange—is purchased at the free market rate. The importer may be required to establish proof that the exchange is being purchased to pay for imported goods. Payment for imports of capital goods must be made in instalments.

Tariff features—imports from Canada receive most-favoured-nation treatment. Preferential treatment is extended to certain imports from member countries of the Latin American Free Trade Association. The new tariff, which went into effect on December 1, 1965, is based on Brussels Tariff Nomenclature. Duties are assessed on the c.i.f. value or on the official index price, whichever is higher. In addition to duties, imports are subject to a statistical tax of 1.5 per cent on dutiable imports or 0.3 per cent on duty-free imports, and to a tax of 5 per cent of the ocean freight charges.

Bolivia

Import licences—required only for a short list of items, including certain foodstuffs and other consumer goods, some chemicals, crude petroleum, earthmoving equipment and tractors.

Foreign exchange—no restrictions.

Tariff features—imports from Canada receive most-favoured-nation treatment. Imports are subject to specific duty, ad valorem duty and additional duty. The ad valorem and the additional duty are assessed on the c.i.f. value. Tariff classification is based on Brussels Tariff Nomenclature.

Brazil

Import licences—goods considered essential are classified in the General Category and are imported under general licence. Non-essential goods and goods which compete with Brazilian products are classified in the Special Category and require an import licence.

Foreign exchange—foreign exchange for goods in both categories is purchased at the "free market" rate. Before issue of a Certificate of Exchange Cover, the purchaser puts up 100 per cent of the cost of foreign exchange.

For Special Category goods, the importer must purchase a Promise of Licence at a public auction which is held weekly. Since the total value of Promises offered for auction is limited, bidding is high and the cost of buying these adds considerably to the cost of goods in the Special Category. After obtaining the Promise of Licence, the importer exchanges it for an import licence and then can buy exchange in the same way as for goods in the General Category. The total amount of foreign exchange purchased by any one importer is limited to U.S.\$50,000 or equivalent in any one week.

Tariff features—imports from Canada receive most-favoured-nation treatment. Preferential treatment is given to certain imports from member countries of the Latin American Free Trade Association. Brazil is a member of GATT. In addition to duties and the exchange tax, imports are subject to import taxes amounting to 6 per cent of the c.i.f. value and a tax of 5 per cent of the ocean freight charges. Tariff classifications are based on Brussels Tariff Nomenclature.

Chile

Import licences—all permitted imports must be registered in advance. Many non-essentials and types of goods produced in Chile are prohibited entry.

Foreign exchange—is purchased at the free bank rate but is not provided until 120 days after the date of the bill of lading.

Tariff features—imports from Canada receive most-favoured-nation treatment. Preferential treatment is granted to certain imports from member countries of the Latin American Free Trade Association. In addition to duties, most imports are subject to surcharges of from $\frac{1}{10}$ of 1 per cent to 200 per cent of the c.i.f. value. Other import taxes are: consular fee, payable by the importer, of $2\frac{1}{2}$ per cent of the f.o.b. value and a tax of 3 per cent of the ocean freight charges. The importer must put up deposit equal to the surcharge, except for a few items which require a deposit of 10,000 per cent of the c.i.f. value. Deposits are returned to the importers after 90 days, provided that goods have been cleared through customs.

Colombia

Import licences—all imports require prior registration after the importer has made a required refundable

deposit. A copy of the import registration certificate must be presented to the Colombian Consul with the other export documents at the time of legalization.

Foreign exchange—three different rates of exchange are applied to imports: preferential at 9.00 pesos to the U.S. dollar or equivalent, intermediate at 13.50 pesos to the U.S. dollar or equivalent, and free, which fluctuates at approximately 18.80 pesos to the U.S. dollar. The preferential rate applies to a list prepared by the Monetary Committee of the Banco de la Republica, the intermediate rate to another list prepared by the same committee and to the payment of freight charges applicable to goods appearing on both the Preferential List and the Intermediate List. The free rate applies to all other imports and to the payment of freight on these imports.

Tariff features—imports from Canada receive most-favoured-nation treatment. Preferential treatment is granted to certain imports from member countries of the Latin American Free Trade Association. The tariff classification is based on Brussels Tariff Nomenclature.

Ecuador

Import licences—required.

Foreign exchange—purchased at official rate.

Import controls—all permitted imports are classified under two headings: essential and non-essential. Essential imports are subject to a prior deposit of 15 per cent of the c.i.f. value and prepayment of 10 per cent of the customs duties. Non-essential imports are subject to a prior deposit of either 30 or 80 per cent of the c.i.f. value and prepayment of 45 per cent of the customs duties.

Tariff features—imports from Canada receive most-favoured-nation treatment. Preferential rates are extended to specified imports from member countries of the Latin American Free Trade Association. A new tariff was introduced in April 1965 but was withdrawn for further study. The new tariff incorporating several amendments was put into effect in September.

Paraguay

Import licence—not required. A small number of items prohibited.

Foreign exchange—freely available but subject to a tax of 24 per cent.

Tariff features—imports from Canada receive most-favoured-nation treatment. Preferential treatment is granted to certain imports from member countries of the Latin American Free Trade Association. Copies of the customs tariff are not available. In addition to the duties, imports are subject to taxes totalling about 20 per cent of the c.i.f. value.

Peru

Import licences—not required.

Foreign exchange—free market, no restrictions.

Tariff features—Peru is a member of GATT, imports from Canada receive most-favoured-nation treatment, and certain imports from member countries of the Latin American Free Trade Association receive preferential treatment. Imports are subject to both specific and ad valorem duty. The ad valorem duty is assessed on an arbitrary c.i.f. value which is arrived at by adding 20 per cent to the f.o.b. value, port of export. On precious stones, pearls, semi-precious stones, fine jewellery and gold or platinum watches, however, the f.o.b. value is increased only by 5 per cent. In addition to the duties, most imports are subject to a tax of 4 per cent of the ocean freight charges. Tariff classification is based on Brussels Tariff Nomenclature.

Uruguay

Import licences—importer must file import declaration with Banco de la Republica.

Foreign exchange—a single freely fluctuating rate of exchange now applies to all imports.

Tariff features—imports from Canada receive most-favoured-nation treatment. Preferential rates are granted on certain imports from member countries of the Latin American Free Trade Association. Ad valorem duties are assessed on an official value or on the c.i.f. value when no official value is set. In addition to the duty, practically all items are subject to surcharges ranging from 30 to 300 per cent of the c.i.f. value or the "average c.i.f. value", whichever is greater. The average c.i.f. value is a minimum value for surcharge application which is expressed in U.S. dollars. Imports are also subject to a tax of 2½ per cent of the c.i.f. value. A few items including raw materials pay only 1½ per cent and there is also a list of exemptions from this tax. There is a surtax of 1 per cent of the sum of the duty, the tax on c.i.f. value, port handling charges and analysis fee. Items subject to a surcharge of 150 per cent or more also require a prior deposit of 200 per cent of the c.i.f. value. Prior deposits are held for a minimum of nine months and in some cases for twelve months. In addition to the above deposit of 200 per cent, all imports are subject to a deposit of 100 per cent of the c.i.f. value. This deposit is held for eight months.

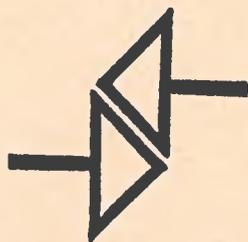
Venezuela

Import licences—a number of items require a prior import licence from the Ministry of Development or the Ministry of Agriculture.

Foreign exchange—no restrictions. Foreign exchange is available for imports at a fixed rate of 4.50 bolivars to the U.S. dollar.

Tariff features—imports from Canada receive most-favoured-nation treatment. Duties are specific and assessed in bolivars on the gross weight or on the units

indicated in the tariff. Additional ad valorem duty ranging up to 100 per cent of the f.o.b. value applies to some items, notably those with gold or silver content. In addition to the duties, imports are subject to a tax of 2 to 3½ per cent of the f.o.b. value. Tariff classification is based on Standard International Trade Classification. ●



Foreign Tariffs and Trade Regulations

Brazil

RELIEF FOR LEATHER INDUSTRIES—On October 11, 1965, the President of Brazil signed a decree extending special benefits to the tanning, leather products and leather footwear industries. Under the decree, equipment, machinery, parts and accessories for these industries with no Brazilian similar are exempt until May 5, 1968, from import duties, purchase tax and customs clearance taxes, as well as from the 10 per cent financial surcharge imposed on foreign exchange purchases. They will also receive income tax reductions—Sao Paulo.

Ireland

IMPORTS OF RAW APPLES—The Minister for Agriculture and Fisheries for the Republic of Ireland, Dublin, has announced that he is prepared to grant licences for the import of raw apples during the period January 10, 1966, to July 7, 1966.

Application for licences should be addressed to the Secretary, Department of Agriculture (Section 4), Dublin 2, and should indicate the quantity it is desired to import—Dublin.

Philippines

CUSTOMS IMPORT DUTIES AMENDED—In Executive Order No. 225 issued December 13, 1965, some 91 items of the Tariff and Customs Code of the Philippines were revised, effective 30 days from the issuance of the order. Some 150 rates of duty were expanded by the inclusion of a total of 211 sub-items. The amended tariff items and sub-items represent 119

increases in the rates of import duty and five decreases. The other 87 rates included in the order represent in part changes in the wording of the tariff heading, or were inserted to clarify the amendment to the tariff item.

Among the commodities of interest to Canadian exporters on which the rates of import duty were increased are:

- Wheat flour, baking and specialty grades
- Jams, jellies, marmalades
- Common salt
- Sodium hydroxide (caustic soda)
- Glutamic acid
- Other single or complex oxygen function amino compounds
- Printing ink
- Mosquito coils
- Battery oxides
- Fibreglass, reinforced corrugated and flat sheets
- Polyvinyl chloride in sheets and strips, pipes, tubes and other extruded shapes
- Rubber tires and tubes
- Pulp derived by mechanical or chemical means
- Book, kraft and other papers, kraftboard
- Asphalt laminated paper other than internally reinforced
- Carbon paper
- Plastic impregnated or coated paper
- Gummed kraft paper
- Stencil sheets
- Boxes, bags and other packing containers of paper or paperboard
- Footwear
- Brake and clutch linings
- Glazed wall tiles
- Galvanized iron sheets
- Iron or steel wire, rods, nuts and wood screws
- Aluminum wire, foil (not laminated or coated with synthetic resin), insect wire screen, household and sanitary articles

Compressors and blowers
 Air-conditioning machines
 Animal-drawn ploughs, harrows, cultivators and scrapers
 Telephone sets, switchboards, unassembled
 Complete television channel selectors and tuners
 Television picture tubes
 Copper wires and cables
 Undercarriage parts for crawler or track laying tractors
 Lenses, optically worked

The products on which customs import duties are reduced are:

Rubber stoppers for pharmaceutical vials
 Carbonizing tissue paper and stencil paper stock
 Carbon paper, cut to size
 Glass bulbs for television picture tubes
 Copper bolts and nuts other than wood screws

Details concerning the amendments affecting any particular commodity may be obtained from the Asia and Middle East Division, Office of Trade Relations, Department of Trade and Commerce, Ottawa.

Uruguay

NEW TAX ON IMPORTS—The Canadian Trade Commissioner in Montevideo has informed us that a new import tax of 15 per cent of the c.i.f. value has been imposed on imports, replacing a number of small taxes on import and exchange transactions. Raw materials and certain other products are subject to a reduced rate of this tax.

This tax is reduced to 8 per cent for imports of raw materials and materials which are required by industries considered of national interest. The tax is reduced to 1½ per cent for the import of:

Burlap
 Sugar
 Coffee beans, not roasted
 Fuels and lubricants
 Manioc flour
 Fertilizers and raw materials for their production
 Sisal fibre
 Books, periodicals, magazines and similar publications of a scientific nature
 Products required to prevent or combat sicknesses or plagues that affect livestock and agriculture, and raw materials needed for their manufacture
 Tobacco for manufacture
 Tea not prepared for retail sale
 Yerba mate prepared and roasted
 Crop seeds included in the list of the Decree of February 23, 1961
 Pedigree sires and dams, except racehorses

The following taxes affecting foreign trade were annulled:

Tax on transfers of funds to and from foreign countries—2 per cent
 Tax on the transfers in payment of imports—6 per cent
 Tax on the import authorization—3.5 per cent
 Tax on applications for import permits—1 per cent
 Tax on the sale of foreign exchange—1 per cent

JANUARY 22, 1966

Yugoslavia

CURRENCY REFORM—Following the devaluation of the Yugoslav dinar on July 26, 1965, from its par value of 750 to 1,250 dinar per one U.S. dollar (1,160.76 Can. dollar), a new monetary unit was introduced as from January 1, 1966. Retaining the name of dinar, the unit is equivalent to 100 old (1965) dinars and is divided in 100 para.

Although new types of banknotes and coins have been issued, all those that were in circulation before January 1, 1966 will continue to be legal tender parallel to the new types.

Zambia

NEW TARIFF SYSTEM—The Government of Zambia has announced that, effective January 4, 1966, the four-column tariff system has been altered to a one-column system. Imports from Commonwealth countries thus no longer enter Zambia at preferential rates. Further details may be obtained from the Commonwealth Division, Office of Trade Relations.

Trade Commissioners on Tour

In Territory

Cyprus—D. S. Armour, Assistant Commercial Secretary in Tel Aviv, Israel, will visit Cyprus February 15-21.

India—S. G. Harris, Trade Commissioner in Bombay, will visit Hyderabad, Madras, Bangalore and Mysore January 31-February 15.

Italy—Officers of the Milan office will visit Genoa February 1-4, Torino February 7-9, and Padua February 15-17.

Mexico—J. E. G. Gibson, Assistant Commercial Secretary in Mexico City, will visit Merida, Yucatan, and Chetumal, Quintana Roo, February 7-11.

Netherlands Antilles—John D. Blackwood, Commercial Secretary in Caracas, Venezuela, will visit the Netherlands Antilles February 14-19.

South Africa—D. H. Leavitt, Assistant Trade Commissioner in Cape Town, will visit Upington, Douglas, Kimberley and Beaufort West January 25-29.

Spain—R. M. Dawson, Commercial Secretary in Madrid, will visit Barcelona February 21-26.

Thailand—F. M. Mulkern, Assistant Trade Commissioner in Singapore, will visit Thailand February 21-25.

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

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Information for Exporters

THE Office of Trade Relations of the Department of Trade and Commerce publishes bulletins covering shipping documents and customs regulations for some 83 countries. In addition, this information is summarized by area for the Far East, the Middle East, Latin America, Europe and the Commonwealth. A pamphlet entitled Customs Information for Canadian Exporters to the United States is also available.

Also available are bulletins on:

Tariff Arrangements in Force between Canada and other Countries

Where to Obtain Foreign Customs Documents in Canada

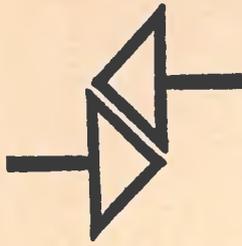
Canadian Export Permit Regulations

Tariff Preference for Canadian Goods Abroad

Export Assistance from Canadian Trade Commissioners.

In addition, the Office attends to general inquiries from exporters about foreign import duties and trade regulations for particular products, and other related aspects affecting Canadian exports.

For copies of any of the documents described, readers should get in touch with the Office of Trade Relations directly.



Trade Lines

Argentine exporters of manufactures and engineering products will receive financing to the extent of U.S. \$16.7 million from the Argentine Central Bank and the IADB in the form of discounting of the date drafts that these exporters obtain. They will also be granted exemption from local taxation as a further encouragement—Buenos Aires.

The Peruvian Government is considering a chemical fertilizer plant in the Coyonitas region in northern Peru. Natural gas reserves are sufficient for the production of 300 tons of ammonia a day for the next 25 years—Lima.

Chile has borrowed \$13 million from the Inter-American Development Bank to finance 50 per cent of the cost of 12,000 prefabricated houses. The units will be erected from Arica to Osorno; target date for completion is March—Santiago.

Argentina will finance a program for supplying fresh water, using a loan of U.S.\$5 million from the Inter-American Development Bank. The program, spread over the next six years, will ensure safe drinking water for 1.7 million and help to reduce infant mortality—Buenos Aires.

Brazil will soon export data processing equipment to other Latin American countries and to the United States. A Cr\$10 billion expansion of the Burroughs plant in São Paulo will provide 1,400 new jobs and increase production 600 per cent—São Paulo.

The Argentine revenue office collected 20,840.5 million pesos in taxes in September 1965 compared with 11,142.3 million in September 1964. Collections during the first nine months of 1965 totalled 168,819.3 million pesos compared with 99,955.7 million in the same period in 1964. Total 1965 revenue is expected to reach 244,855 million pesos—Buenos Aires.

The Chocón-Cerros Colorados electric power project in Argentina will be authorized shortly when the Ministry of Power and Fuel submits to Congress a law regulating its construction and financing. Costing 40,000 million pesos, the power complex will supply Southern

Argentina and will open large tracts of Patagonia to industry and agriculture—Buenos Aires.

Chile's public transport department will increase its capacity over the next five years by importing 1,220 bus chassis worth \$17 million. The bodies will be built locally—Santiago.

Lima is considering a subway system costing \$8 million. Traffic congestion is a major problem and a municipal committee and the Ministry of Interior are now studying a project presented by a Spanish firm—Lima.

Venezuelan oil production increased 3.04 per cent in the first nine months of 1965 compared with the same period in 1964. Output averaged 3,476,525 barrels a day—Caracas.

AVIATECA, the Guatemalan national airline, will establish new routes this year from Guatemala to Mexico City, Mexico, to San Juan, Puerto Rico, and Panama City, Panama. It will use propeller aircraft at first but later plans to convert to jets—Guatemala City.

An aluminum and plastic goods plant in Managua, Nicaragua, will cost U.S.\$712,000, and be financed by INFONAC of Managua and the Corporacion Financiera of Bogota, Colombia. The \$400,000 worth of machinery will come chiefly from the U.S. and Europe; Colombia will supply only 5 per cent. Estimated production is 400 tons of aluminum and 300 tons of plastic goods; will probably begin in the third quarter of the year—Guatemala City.

Costa Rica will build a new 100-kilometer oil pipeline from Puerto Limon to Ochomogo. Estimated cost is U.S. \$3.5 million—Guatemala City.

El Salvador will manufacture razor blades, stainless steel cutlery, window frames and door hardware, if businessmen complete plans to erect an \$800,000 plant. Danish and German firms will supply machines and technical assistance and production will probably meet the requirements of the Central American Common Market—Guatemala City.

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 .9310.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent Jan. 10	Units per Canadian dollar	Notes (see below)
Algeria	Dinar .....	.....	.2191	4.56	
Argentina	Peso	Free .....	.005689	175.78	
Australia	Pound .....	.....	2.4089	.4151	
Austria	Schilling .....	.....	.04157	24.06	
Bahamas	Pound .....	.....	3.0111	.3321	
Belgium and Luxembourg	Franc .....	.....	.02163	46.10	
Bermuda	Pound .....	.....	3.0111	.3321	
Bolivia	Peso .....	.....	.09130	10.95	
Brazil	Cruzeiro	Official Free .....	.0004860	2,057.61	†
Britain	Pound .....	.....	3.0111	.3321	
British Guiana	Dollar .....	.....	.6273	1.59	
British Honduras	Dollar .....	.....	.7528	1.33	
Burma	Kyat .....	.....	.2256	4.43	
Ceylon	Rupee .....	.....	.2258	4.43	
Chile	Escudo	Bank rate .....	.3100	3.23	
		Free .....	.2563	3.90	
Colombia	Peso	Certificate .....	.05934	16.85	
		.....	.1193	8.38	
Congo, Republic of	Franc .....	.....	.007160	139.66	(1)
Costa Rica	Colon .....	.....	.1621	6.17	
Cuba	Peso .....	.....	†	†
Czechoslovakia	Koruna .....	.....	.1492	6.70	
Denmark	Krone .....	.....	.1560	6.41	
Dominican Republic	Peso .....	.....	1.07406	.9310	
Ecuador	Sucre	Official .....	.05987	16.76	
		Free .....	.05827	17.16	
El Salvador	Colon .....	.....	.4296	2.33	
Fiji	Pound .....	.....	2.7127	.3686	
Finland	Markka .....	.....	.3356	2.98	
France, Monaco, etc.	Franc .....	.....	.2191	4.56	(2)
Franco-African Republics, etc. ...	Franc .....	.....	.004382	228.21	(3)
French Pacific	Franc .....	.....	.01205	82.99	(4)
Germany	D Mark .....	.....	.2679	3.73	
Ghana	Cedi .....	.....	1.2546	.7971	
Greece	Drachma .....	.....	.03580	27.93	
Guatemala	Quetzal .....	.....	1.07406	.9310	
Haiti	Gourde .....	.....	.2148	4.68	
Honduras	Lempira .....	.....	.5370	1.86	
Hong Kong	Dollar	Free .....	.1880	5.32	
		Official .....	.1882	5.31	*Dec. 31

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

*Latest available date.

†The Cruzeiro was devalued November 16, 1965; the Central Bank of Brazil is expected to issue soon the new cruzeiro. One new cruzeiro will then equal one thousand old cruzeiros.

Country	Unit	Type of Exchange	Can. dollar equivalent Jan. 10	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official .....	.02498	40.03	(1)
India	Rupee .....	.....	.2258	4.43	
Indonesia	Rupiah .....	.....	.004296	232.76	(1)
Iran	Rial .....	.....	.01418	70.53	
Iraq	Dinar .....	.....	3.0074	.3325	
Ireland	Pound .....	.....	3.0111	.3321	
Israel	Pound .....	.....	3580	2.79	
Italy	Lira .....	.....	.001719	581.73	
Japan	Yen .....	.....	.002984	335.12	
Lebanon	Pound	Free .....	.3514	2.85	
Malaysia	Dollar .....	.....	.3509	2.85	
Mexico	Peso .....	.....	.08593	11.64	
Morocco	Dirham .....	.....	.2148	4.66	
Netherlands	Florin .....	.....	.2974	3.36	
Netherlands Antilles	Florin .....	.....	.5695	1.76	
New Zealand	Pound .....	.....	3.003	.3333	
Nicaragua	Cordoba .....	.....	.1534	6.52	
Nigeria	Pound .....	.....	3.0111	.3321	
Norway	Krone .....	.....	.1504	6.65	
Pakistan	Rupee .....	.....	.2258	4.43	
Panama	Balboa .....	.....	1.07406	.9310	
Paraguay	Guarani	Free .....	.008700	114.94	
Peru	Sol	Free .....	.04004	24.98	
Philippines	Peso	Free .....	.2748	3.64	
Poland	Zloty	Fixed-basic rate .....	.04474	22.35	
Portugal & Colonies	Escudo .....	.....	.03736	26.77	(5)
Sierra Leone	Leones .....	.....	1.5038	.6650	
South Africa	Rand .....	.....	1.5056	.6642	
Spain and Dependencies	Peseta .....	.....	.01794	55.74	
Sweden	Krona .....	.....	.2076	4.82	
Switzerland	Franc .....	.....	.2484	4.03	
Syria	Pound	Free .....	.2809	3.56	
Thailand	Baht	Free .....	.05156	19.39	(1)
Tunisia	Dinar .....	.....	2.0568	4862	
Turkey	Lira .....	.....	.1193	8.38	(1)
United Arab Republic	Pound	Official	2.4703	.4048	
United States	Dollar .....	.....	1.07406	.9310	
Uruguay	Peso	Free .....	.01597	62.62	
Venezuela	Bolivar	Official Free .....	.2392	4.18	
West Indies	Dollar .....	.....	.6273	1.59	(6)
.....	Pound .....	.....	3.0111	.3321	(7)
Yugoslavia	Dinar	Official .....	.08593	11.64*	

*As of Jan. 1/66, the Yugoslav new dinar entered circulation at parity with 100 old dinars.

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.



A view of the Plaza San Martín in Lima, "City of Kings" and capital of Peru. Founded in 1535 by the Spaniard Francisco Pizarro, Lima now has a population of over one million and is one of the five largest cities in South America.

Financing Exports to Peru

CANADIAN consultants or suppliers interested in obtaining contracts in Peru covering development projects currently under study should ensure that:

1. They are fully aware of all multilateral and Canadian sources of export finance available to them. (Sources of export finance available to Canadians are described in L. H. Brown's article, "Financing Exports to Latin America", in the December 25, 1965 issue of *Foreign Trade*.) Of major interest are the Canadian loan funds being made available to Latin American countries through the Inter-American Development Bank. These funds come from two sources: the \$20 million Canadian Development Loan Fund from the External Aid Office and the \$15 million "Special Credit" from the Export Credits Insurance Corporation.
2. They make themselves known to the Peruvian Ministry officials who are in-

itiating these various projects. The Peruvian official can then outline the proposed project to the local IADB representative and can suggest the use of Canada's loan funds for financing it. For projects requiring consulting or engineering services, he can recommend one or more Canadian firms in these fields. Upon receipt of the application, the IADB will review the project, determine its eligibility for Canadian financing, and if eligible, will seek EAO or ECIC consent, according to which pool of loan funds is being considered.

The tremendous expansion in the Peruvian economy is, in the main, based on long-range development plans being formulated by the Peruvian Government. As Dr. Brown's article shows, there are a variety of Canadian export finance and aid facilities, as well as multilateral financing, generally directed towards financing infrastructure projects. The combination of these two factors—Peru's development plans and the availability of bilateral and multilateral financing—plus thoughtful salesmanship and promotion, will ensure growing export sales for Canadian manufacturers and consultants in Peru.

—ANTHONY T. EYTON,
Assistant Commercial Secretary, Lima.

FOR a longer review of the market in Peru, see "Prospecting in the Peruvian Market", by D. J. McEachran, in the September 18, 1965, issue of *Foreign Trade* and "Peru Consolidates Fish Meal Industry", same issue.

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