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FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA

Development and Trade in the Middle East

FOREIGN TRADE

MARCH 5, 1966 Vol. 125 No. 5

COVER: Want to increase your sales in the Middle East? Follow the example of Harry Legier, export manager of Canadian Coleman Company, and try marketing on the spot. As a member of a trade mission sponsored by the Ontario Government, he demonstrates to two potential customers the benefits of the portable ice cooler that his firm makes. The camels are obviously not impressed; they don't need to quench their thirst very often.

—Photo courtesy "Industrial Canada"

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Want to sell your products in the Middle East? Be prepared to make an individual approach to each country; officers of the Department of Trade and Commerce at home and abroad can advise you. In 1964, our exports touched $28.2 million and for 1965 the estimate is nearly $32 million. Obviously, it's an expanding market.

Canada's Markets in the Middle East

Asia and Middle East Division

CANADIAN EXPORTS to the Middle East showed a marked increase in the first ten months of 1965, and the total for the year will probably exceed the record of $31.7 million set in 1963. Welcome as this increase may be, it still constitutes only a small part of total imports into the Middle East, estimated last year at $6½ billion. Nor is it large compared with Canadian imports from the Middle East, which reached an estimated $100 million in the full year. In other words, there is much room for expansion. What is more, there is a substantial demand in several countries in the area for manufactured goods, ranging from capital equipment for factories and other development projects to consumer goods —precisely for those products the export of which contributes most to creating new employment opportunities in Canada.

The countries examined in this issue are listed in Tables II and IV*. From the geographic point of view, the Middle East is generally considered to comprise the countries that border on the Eastern Mediterranean, the Red Sea and the Persian Gulf. It covers an area of approximately five million square miles, much of which is desert or semi-arid. Nevertheless, a large percentage of its 150 million inhabitants engage in agricultural pursuits.

The Middle East is by no means a homogeneous market. Nevertheless, there is a common trend towards efforts to achieve greater prosperity through broadening the economic bases of the various countries (which currently derive much of their income from oil or agriculture) through industrialization and other programs.

Economic Conditions Vary

Actually, economic conditions vary widely from country to country. Syria is an example of a Middle Eastern country which has not benefited from oil—although this will change before long because of recent oil discoveries. It is an agricultural country, with little manufacturing yet and a per capita income just below $150. Cotton is by far the leading export and therefore has an important bearing on Syrian economic fortunes. Kuwait, with less than half a million inhabitants, is the world's second largest oil exporter and the most prosperous country in the Middle East. By contrast Jordan, primarily agricultural and with a large trade deficit, is living through a period of industrial growth supported by foreign aid; its gross national product rose 9 per cent in 1964. Israel is rapidly becoming fully industrialized and its per capita income of some $1,240 gives it a level of prosperity comparable with that of Italy. It has a high rate of investment and consumption, a sound foreign exchange rate because of private and government capital inflow, and a gross national product that has increased on the average by some 10 per cent over the last ten years. Lebanon, which also enjoys one of the highest standards of living in the Middle East, derives much of its prosperity from its role as a financial, trading and tourist center for the area. Earnings from services account for about two-thirds of its national income.

Development Is Stressed

Most Middle East countries are now embarking on or are in the midst of plans for economic development, generally for five or seven years, with particular emphasis upon industrial and agricultural expansion and development of transportation and communications. For example, Iraq's plan calls for the expenditure over a five-year period of $2.3 billion on industry, power, agriculture, transportation and communications. Jordan's seven-year plan emphasizes irrigation, railway and hydroelectric projects, expansion of agriculture, manufacturing, mining and tourism. The U.A.R. plans to spend $6.5 billion over a

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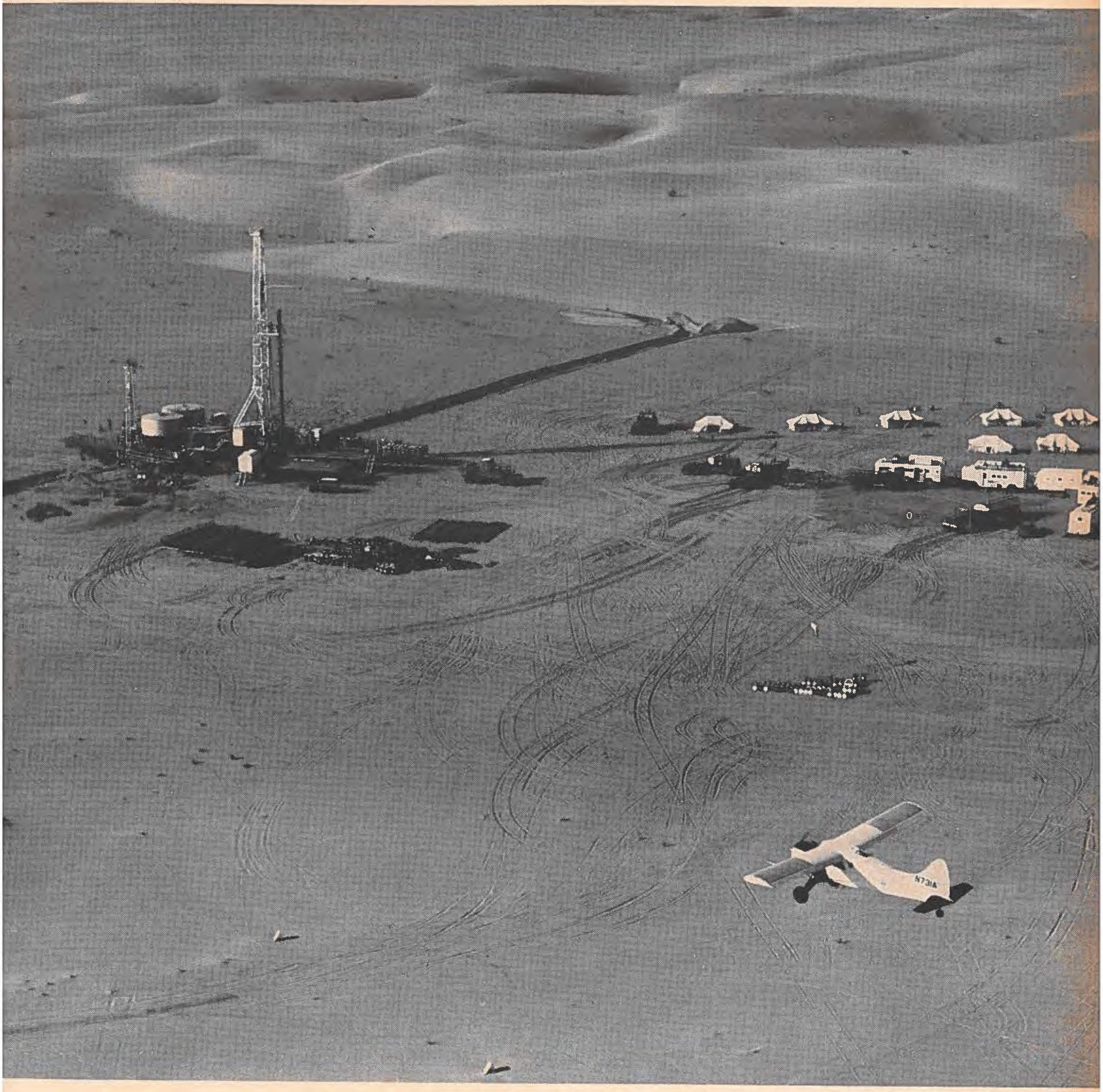
*Reports on the U.A.R. and the Sudan were not received in time for publication.



Oil has brought prosperity to a large part of the Middle East and still the search goes on. In Saudi Arabia's famous Rub' al Khali (Empty Quarter), a structure drill camp has been set up to drill stratigraphic holes, some to a depth of 6,000 feet. Exporters please note that on the right a Canadian-made Beaver aircraft is touching down with food and supplies for the isolated drilling crew. The Arabian American Oil Company uses Beavers for maintaining communications and for freight.

Table I

Foreign Trade of the Middle East

	1958	1959	1960	1961	1962	1963	1964	1965
	(millions of U.S.$)							
Exports (f.o.b.)	4,949	5,082	6,035	5,761	6,433	7,064	8,000*	8,800*
Imports (c.i.f.)	4,187	4,527	4,904	5,216	5,528	5,926	6,300*	6,500*

*Estimated. Final figures on some countries are not yet available.

Table II

Canada's Exports to the Middle East

	1962	1963	1964	10 months 1964	10 months 1965
	(Can. $'000)				
Bahrain	210	162	151	114	111
Cyprus	298	513	193	162	207
Qatar	213	246	279	214	390
British Middle East, n.e.s.	159	127	138		
Aden				93	158
Trucial States				14	64
Ethiopia	105	139	236	193	415
Iran	5,293	3,568	3,372	2,504	2,566
Iraq	1,343	3,376	957	729	641
Israel	6,232	8,163	9,109	8,097	5,843
Jordan	145	244	245	163	257
Kuwait	1,040	2,748	934	693	2,655
Lebanon	2,244	2,365	2,516	2,096	2,039
Libya	376	690	907	713	485
Saudi Arabia	3,257	3,548	3,133	2,256	4,151
Somalia	3	22	....	....	25
Sudan	180	173	113	98	90
Syria	561	713	387	297	435
Turkey	978	2,378	1,581	1,292	2,677
United Arab Republic (Egypt)	2,230	2,536	3,978	2,560	3,376
Total	24,866	31,710	28,229	22,288	26,585

Table IV

Canada's Imports from the Middle East

	1962	1963	1964	8 months 1964	8 months 1965
	(Can. $'000)				
Bahrain	....	1	....	....	....
Cyprus	151	88	51	16	218
Qatar	6,273	8,678	2,285	1,551	827
British Middle East, n.e.s.	68	56	3,183		
Aden				27	325
Trucial States				998	1,741
Ethiopia	5	21	141	140	66
Iran	31,736	42,799	31,085	20,184	23,340
Iraq	704	1,269	2,379	83	1,201
Israel	5,646	6,043	6,270	4,737	5,029
Jordan	1	3	10	5	2
Kuwait	10,034	5,169	11,219	7,421	7,968
Lebanon	58	65	81	58	25
Libya	10	....	....	....	1
Saudi Arabia	40,551	50,290	18,553	13,349	28,836
Somalia	....	1	1	1	....
Sudan	105	148	113	54	68
Syria	455	362	492	246	305
Turkey	1,472	1,294	1,207	739	546
United Arab Republic (Egypt)	301	224	125	42	195
Total	97,569	116,511	77,195	49,650	70,694

Table III

What Canada Sells to the Middle East

Leading Exports	No. of Markets	1963	1964	6 months 1964	6 months 1965
		(Can. $'000)			
Wheat, except seed	2	5,393	2,914	163	1,220
Asbestos	10	2,562	2,499	567	782
Aluminum, primary	6	2,234	1,775	901	1,572
Passenger cars	13	2,623	1,760	912	2,699
Telephone apparatus	4	....	1,825	1,511	....
Aircraft complete with engines	....	1,394	....	....	....
Radio and TV equipment	10	1,282	1,115	76	....
Engine turbines	1	46	1,229	1,229	1
Wheat flour	9	836	781	99	96
Sheet and strip steel	5	1,423	625	203	256
Lumber	5	393	614	86	570
Electronic tubes and parts	3	....	563	....	520
Barley	1	45	....	....	818
Seed wheat	1	553	752	398	675
Flaxseed	1	177	551	283	222

Table V

What Canada Buys from the Middle East

Leading Imports and Suppliers	1963	1964	6 months 1964	6 months 1965
	(Can. $'000)			
Crude petroleum	106,976	67,508	35,164	45,921
Qatar				
British Middle East				
Iran				
Iraq				
Saudi Arabia				
Gem diamonds	1,865	1,892	934	935
Israel				
Cotton yarn	1,396	1,098	421	739
Israel				
United Arab Republic				
Dates, dried	1,103	862	92	174
Iraq				
Iran				
Cotton linters	625	828	384	288
Syria				
Lebanon				
Turkey				
Oranges	912	946	946	1,094
Israel				
Filberts, shelled	582	504	313	230
Turkey				
Fruit juices	78	581	221	394
Israel				
Wearing apparel	383	474	312	176
Israel				
Coffee	76	200	154	64
British Middle East				
Ethiopia				

five-year period, primarily on industry and transportation and communications facilities.

This trend towards economic development is illustrated by a wide variety of capital projects either planned or being carried out. They range from a petrochemicals plant in Turkey to an irrigation scheme in Jordan, from a large steel mill in Iran to the new port of Ashdod in Israel, from luxury apartments in Lebanon to an airport in Abu Dhabi, from a microwave project in Iraq to a highway construction project in Saudi Arabia, and from flour mills in Syria to the High Dam project in the U.A.R. and a waterfront development scheme in Kuwait.

These are, of course, only random samples and the articles on the various countries which follow set out in some detail the nature of the various projects. In general, the purpose is to bring about higher productivity, more jobs, improved trade balances and foreign exchange earnings through diversification of the economies and, in general, higher standards of living.

Import Demand Will Increase

To carry out projects like those described above, these countries will require greater quantities and wider varieties of materials and equipment which are not available locally, plus more consulting engineering services. In addition, and although import substitution is the purpose of some of the new industries, in the longer run the increased income generated by the growth of industry and by rising revenues from oil, agriculture and tourism can be expected in turn to generate new and greater demands for consumer goods from abroad.

Trade in Middle East

Table I shows the substantial growth of trade in the Middle East in recent years. Since 1958, the value of exports has risen approximately 60 per cent and that of imports by about 55 per cent. These countries continue to carry on the greatest part of their trade with the United States, Britain and Western Europe, but also have a significant amount of trade with the U.S.S.R. and the Eastern European countries. Trade among Middle Eastern countries is not great because most of their needs of grains, industrial raw materials, machinery and durable goods cannot be satisfied within the area.

Opportunities for Canadians

Tables II and III show Canada's exports to this region by country and by leading products. Although the value of our sales to the area in 1964 of $28.2 million declined from the 1963 figure of $31.7 million, the value for the first ten months of 1965, at $26.6 million, was up considerably over the $22.3 million of the corresponding period of 1964. The total for the full year 1965 will probably set a new record.

The Middle East has never been an outstanding market for Canadian products. Our leading exports to the area are wheat, industrial raw materials such as aluminum and asbestos, lumber, sheet and strip steel, and automobiles. These are the major Canadian products which have been shipped to the area consistently in each of the last few years. However, these are by no means the only Canadian exports. With the rising standard of living in the region, there is an increasing demand for a growing range of consumer goods, such as television sets, washing machines and refrigerators.

In 1964, Israel was the principal Middle Eastern market for Canadians, followed by the United Arab Republic, Iran, Saudi Arabia, Lebanon and Turkey.

Canadian Imports

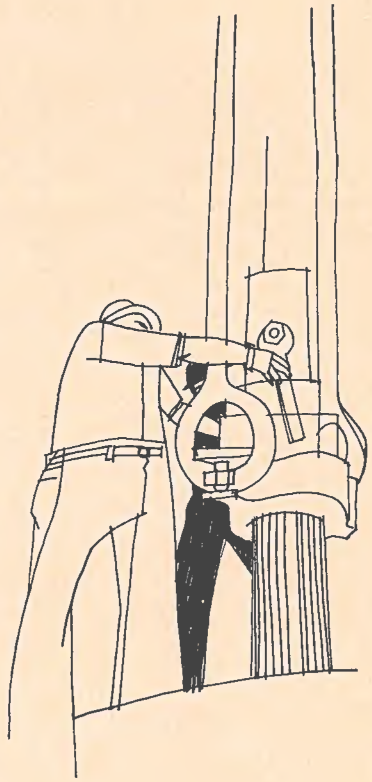
Tables IV and V show Canada's imports from the Middle East by country and by leading commodities. Iran, Saudi Arabia, Kuwait and Israel were our major suppliers in 1964, in that order, and crude petroleum continues to be by far our largest import from these countries. It is followed by unset diamonds from Israel, cotton yarns and linters, and fruits such as dates and orange.

Assistance to Exporters

The Canadian Trade Commissioners in Beirut, Tel Aviv, Tehran and Athens, and the staff of the Canadian Embassy's Commercial Division in Cairo, are prepared to assist any Canadian exporter in his search for customers or agents in this area. They also stand ready to discuss trade problems during the exporter's visit to their territory or during their own visits to Canadian cities in the course of their Canadian tours announced in advance in *Foreign Trade*. In addition, the Asia and Middle East Division of the Department of Trade and Commerce in Ottawa can provide information on tariffs and other requirements affecting the terms of access of goods to the various markets. In addition, the Transportation Division can supply shipping information and Commodity Officers can advise on the market potential for particular products in specific countries.

In developing these and the other Middle Eastern markets, the employment of reliable agents and personal visits to the countries by the exporter himself are invaluable. It is important to keep in mind that each market should be treated individually and the most suitable approach made to each. This is particularly vital because relations between some of the countries in the Middle East are at times strained.

The articles which follow are designed to indicate in some detail the export opportunities in the various countries in the region and the right approach in each. ●



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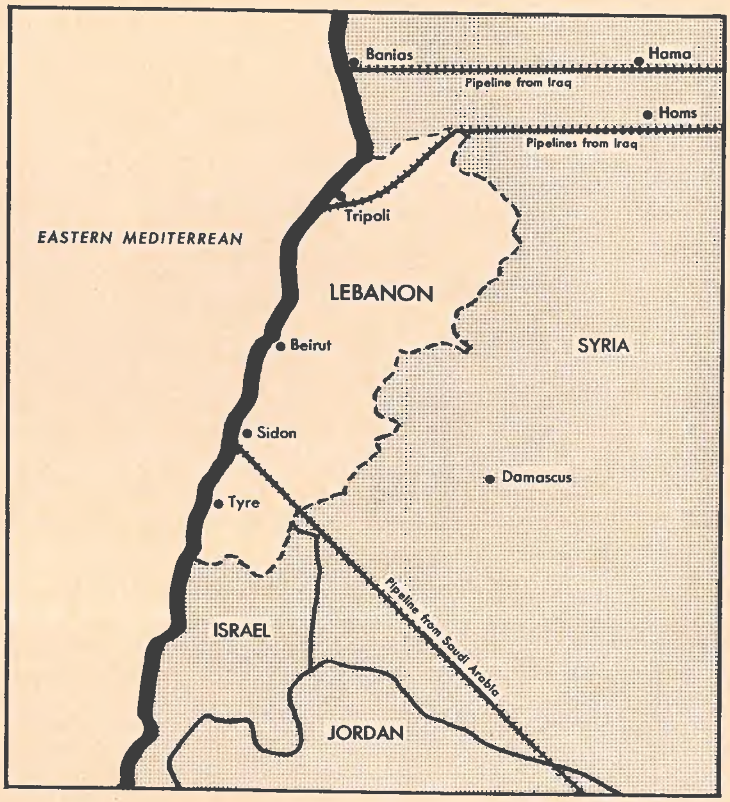
Strategic position makes this good test market

Lebanon Boosting Industry, Tourist Trade

I. V. MACDONALD,
Commercial Counsellor, Beirut.

LEBANON, unique among developing countries, relies almost entirely upon private initiative to achieve economic progress—and with some success. A very small country with limited resources, it has one of the highest standards of living in the Arab world, exceeded only by the oil-rich countries. An inherent business ability has brought success to the Lebanese not only at home but throughout the Middle East, Africa, Asia, and more recently in many parts of North and South America.



A measure of the ingenuity of the Lebanese entrepreneur is the distribution of national income between production and services. Despite the rise in earnings from agriculture, manufacturing and construction, services still account for about two thirds of the national income. The role of Beirut as a financial, trading and tourist centre for the Middle East has brought many ancillary benefits.

The country has a minimum of government activity and control, but with the advent of industry, the Government has enacted certain protective measures. These have taken the form of import licensing and selective tariff incrcases—exceptions to the traditional low levels of protection in which the trading community has a strong vested interest.

Industry Growing Gradually

According to the Ministry of National Economy, the number of factories in Lebanon (chiefly small assembly operations) increased in 1964 to 6,854, employing 62,000 workers; capital invested increased to $276 million. Over the past few years output of textiles, metal products, fabricated aluminum and paints has risen most. Domestic cement production totals approximately 800,000 metric tons a year.

A notable export success has been achieved by Sciale, an aluminum fabricator, whose exports of aluminum for the construction industry have increased from five tons in 1960 to well over 1,500 tons in 1965, shipped to 32 countries. An export target of 10,000 tons by 1970 has been set.

Construction, particularly of luxury-type apartment buildings, continued during 1965 at a brisk rate, financed partly by investment capital from Middle Eastern oil-producing countries. Although present vacancy rates suggest that the pace of new apartment construction may slacken in the foreseeable future, prospects for lower-cost housing are good and offer opportunities for Canadian construction materials, appliances, hardware, and decorative items.

Rising domestic incomes and tourism have prompted the building of additional hotels, shops and office complexes in Beirut, also financed directly or indirectly to a large extent by foreign capital. The Hilton Hotel Corporation plans a 500-room seaside hotel near Beirut and the Sheraton chain is considering a similar investment.

Catering to the Tourist

Although Lebanon up to now has catered largely to the more affluent tourists, plans envisage the cultivation of low-priced tourist trade from Europe to quadruple the present 600,000 or so visitors a year (233,000 in 1960). This increase will require the development of additional resort accommodation at the ancient cities of Sidon, Tyre and Tripoli, and greatly expanded facilities for winter sports, particularly in the Mount Hermon area. This has an exceptionally long skiing season but has remained unexploited because of inadequate roads.

National electricity production capacity (280 megawatts) is commensurate with the still low level of industrialization but the Litani River Scheme currently under development will raise production substantially.

More Capital Needed

One of the obstacles to industrial development in Lebanon is the shortage of long-term capital. The Government has made various efforts to alleviate this, with limited success. It is seeking development loans in Europe and recent reports indicate that it is asking for World Bank assistance in the establishment of a development bank in Lebanon. The recent opening

TABLE I

LEBANON'S MARKETS AND SUPPLIERS, 1964

Imports: Can.$543 million

Principal suppliers:	**(per cent)**
Syria	10
Germany	7.5
France	7.4
Italy	6.2
United States	6
Britain	4.3
Saudi Arabia	3
Turkey	2.5
Czechoslovakia	2.2
The Netherlands	2.1
Switzerland	2.1

Principal markets:	**(per cent)**
Saudi Arabia	16.5
Syria	11
Jordan	9.1
Kuwait	9
Iraq	6
U.S.S.R.	5.5
United States	4.4
Britain	4
Italy	3.3
Germany	3
France	2.3

TABLE II

WHAT LEBANON EXPORTS AND IMPORTS

Total imports: Can.$543 million

Chief imports:	**(per cent)**
Gold	21
Mineral oils	5
Motor vehicles	4.8
Livestock (for slaughtering)	4.2
Iron and steel	3
Textiles	3
Wheat	1.8
Lumber	1.5
Medicines	1.5
Machinery	1.5
Sugar	1.4
Paper	1.3

Total exports: $100 million*

Chief exports:	**(per cent)**
Oranges and lemons	8.2
Apples	8
Wool	5.6
Dried leguminous vegetables	5
Oilcakes	2.3
Aluminum products	1.5
Eggs	1.5
Pipes (asbestos)	1.2
Banknotes**	8
Gold**	3.5
Aircraft parts**	3

*Re-exports—$40 million.

**Actually re-exports but registered as exports.

TABLE III

WHAT CANADA SELLS TO LEBANON

	1963	1964	1965 (9 mos.)
	(Can. $'000)		
Total Canadian exports to Lebanon	**2,360**	**2,510**	**1,600**
Chief exports:			
Flour	451	549	388
Asbestos fibres	296	333	135
Sulphur	....	212	....
Newsprint	25	138	165
Automobiles	229	167	146
Washing machines	152	176	110
T.V. sets	47	75	74
Tires	75	80	30
Pharmaceuticals	147	67	81
Brake linings	50	23	38
Aluminum ingots	204	62	....
Aluminum fabricated materials	231	....	....
Textile rags	43	63	22
Plastic and synthetic rubber	20	19	8
Steel sheets and strips	15	26	15
Fire bricks	....	25	26
Aircraft engines and parts	12	99	5
Space and water heaters	7	16	11
Refrigerators	11	....	5
Apparel and accessories	36	41	20
Toilet paper	9	13	30
Firearms (non-military)	38	69	21

TABLE IV

WHAT CANADA BUYS FROM LEBANON

	1963	1964	1965 (9 mos.)
	(Can. $'000)		
Total imports from Lebanon:	**65**	**81**	**25**
Chief imports:			
Cotton linters	51	21	....

Also rugs, antique collections, jewellery, dried vegetables, gift articles.

of a branch of the Bank of Nova Scotia in Beirut—the first by a Canadian bank in the Middle East—should contribute considerably to the exchange of information between Canadian and Lebanese industrialists and investors. At present, licensing requirements affect only a limited range of goods, including wheat and barley, flour, certain other foodstuffs, pine lumber, and industrial machinery, among others.

Services Finance Deficit

Lebanon's imports total about $350 million a year and exports about $70 million. The substantial trade deficit is financed through income from services and tourists, dividends from foreign investments, remittances from abroad and other capital inflows. Traditionally the chief supplier is Britain with over 20 per cent of total imports (including gold), followed by Syria, the United States, France and West Germany. Lebanon's leading export markets are nearby Middle Eastern countries and the United States, which purchases about 5 per cent of its exports. (See Table I.)

Lebanon's chief exports are fruits and vegetables, particularly citrus fruit and apples. Some marketing problems have appeared in recent years despite the generally high quality. Exports of Lebanese manufactured products rose rapidly in 1965 but remained small by international standards.

Trade with Canada

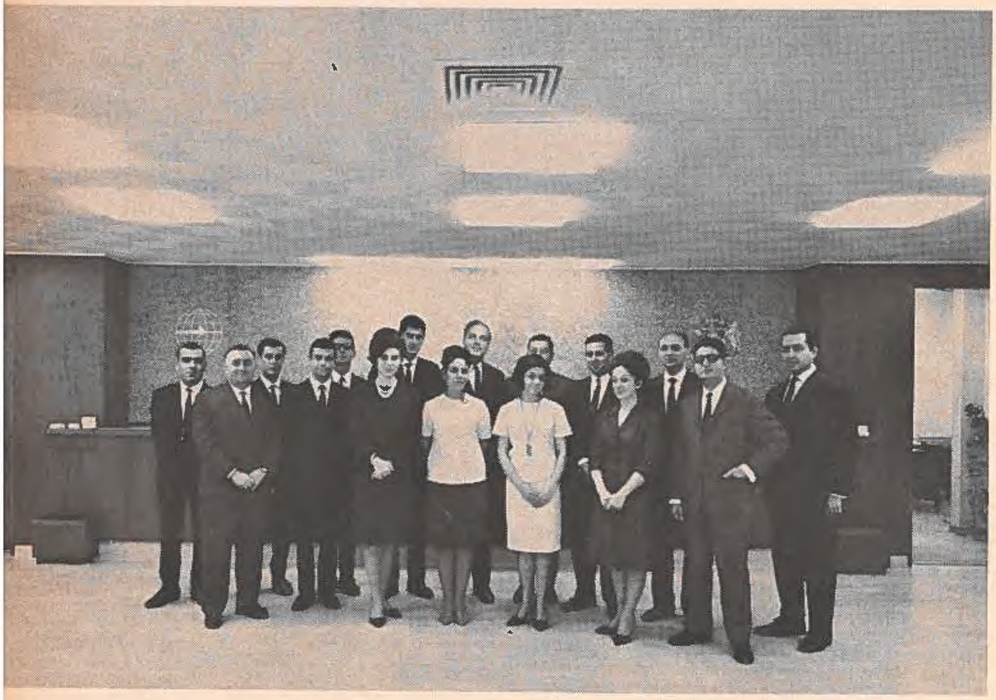
Canadian exports to Lebanon consist chiefly of flour, newsprint, automobiles, asbestos, and household appliances and total about $2.5 million per year. (See Table III.)

Although the Lebanese market is very accessible to imports, it is not large and because of the absence of restrictions, competition is often severe. Canadian firms, however, should not hesitate to establish connections in Lebanon because they can succeed in this market if their products are competitive. In addition, contacts in Beirut frequently serve as an introduction to other more lucrative Middle Eastern markets through the close inter-connections of the Arab trading community and through Beirut's function as a commercial meeting-place. To business travellers, Lebanon offers a combination of business and pleasure available in few other places on a Middle East itinerary.

Lebanese importers have shown interest in the following Canadian products:

packaged steam boilers
building materials
prefabricated housing
apple grading and packing machinery
office furniture and hardware
communications equipment
newsprint sheets and other paper products
wallpaper
marine radar
contracting services and equipment
construction equipment
automotive spare parts
hot water heaters and pumps
nylon stockings
textiles
domestic appliances
thermal electric equipment
foodstuffs and pharmaceuticals

We should not expect substantial export gains in the near future. Yet Lebanon deserves the attention of Canadian businessmen because of its strategic commercial location, its usefulness as a testing ground for new products in the Arab markets, its special role in handling financial transactions, and its importance as a centre for business and tourist visitors. With increased attention, particularly visits by Canadian exporters to this market in conjunction with a Middle East tour, the prospects for increasing Canadian exports are good. Inhibiting factors are the higher landed cost of some Canadian products compared with those of European or Asian competitors, the need for Canadian suppliers to offer competitive credit terms and the established position of some major competitors. But these problems can be and are being overcome. ●



The Bank of Nova Scotia became the first Canadian bank to locate in the Middle East when it opened this branch in Lebanon's capital last October. Situated in the heart of Beirut's banking district, Place Riyad Solh, the Scotia Bank thus joined the ranks of the seven United States and about 100 other foreign and local banks in the area. The manager, Mr. Roy Wells, came to the Beirut branch after serving for a number of years in the Caribbean; photographed with him are the members of his staff. The Scotia Bank intends soon to have a travelling representative in the area and to provide a full range of corporate and personal services.

Holidays Observed in the Beirut Territory

Lebanon

Every Sunday
New Year's Day
Christmas Day
Good Friday
Easter Monday
Arab League Day—March 22
Labour Day—May 1
Martyrs' Day—May 6
Independence Day—November 22
Al-Fitr*—3 days
Al-Adha*
Al-Hejra*
Al-Mawlud*

Canadian Embassy in Beirut

Every Saturday and Sunday
New Year's Day
Al Fitr*—observed for one day only
Good Friday
Easter Monday
Dominion Day
Canadian Labour Day
Thanksgiving Day
All Saints Day
Lebanese Independence Day
Christmas Day

Jordan

Every Friday
New Year's Day
Easter Monday—Christians only
Arab League Day—March 22
King Hussein's Accession Day—August 11
King Hussein's Birthday—November 14
Al-Fitr*—3 days
Al-Adha*
Al-Hejra*
Al-Mawlud*
Al-Maa'raj*

Gulf

Every Friday
New Year's Day
Christmas Day—Trucial States only
Easter Monday—Christians only
National Day—Kuwait only June 19
Accession of Ruler—Kuwait only November 28 and Bahrain only December 16
Al-Fitr*—3 days
Al-Adha*
Al-Hejra*
Al-Mawlud*
Al-Ashura*—Bahrain, Kuwait and Trucial States only

Iraq

Every Friday
New Year's Day—Christians only
Christmas Day—Christians only
Easter Monday—Christians only
Army Day—January 6
Labour Day—May 1
Republic Day—July 14
Al-Fitr*—3 days
Al-Adha*
Al-Hejra*
Al-Mawlud*
Al-Ashura*

Syria

Every Friday
New Year's Day
Christmas Day
Good Friday
Easter Monday
Unity Day—February 23
Evacuation Day—April 17
Al-Fitr*—3 days
Al-Adha*
Al-Hejra*
Al-Mawlud*

Saudi Arabia

Every Friday
Easter Monday—Christians only
Al-Fitr*—5 days
Al-Adha*—4-8 days

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*These are movable feasts. Al Fitr depends on the sighting of the moon and the others on the Moslem calendar, which is lunar. If a holiday falls on a Friday it is celebrated the following day. Dates for 1966 and 1967 are:

Al-Fitr (marks the end of Ramadan, a period of fasting for Moslems)—January 22-24, 1966; January 11-13, 1967.
Al-Adha—April 1-3, 1966; March 21-23, 1967.
Al-Hejra (Moslem New Year)—April 22, 1966; April 11, 1967.
Al-Mawlud (Prophet Mohammed's birthday)—July 1, 1966; June 20, 1967.
Al-Ashura—April 29, 1966; April 18, 1967.
Al-Maa'raj—November 10, 1966; October 30, 1967.

Business Hours in the Beirut Territory

	Summer	Winter
Government and banks	8 a.m.—2 p.m.	8 a.m.—2 p.m.
Private firms	8 a.m.—2 p.m.	8 a.m.—2 p.m. 4 p.m.—7 p.m.
Canadian Embassy	7.30 a.m.—1.30 p.m. Monday through Friday	8 a.m.—1 p.m. Monday through Friday
	2.30—5.30 p.m. Monday only	2.30—5.30 p.m. Monday through Thursday

Government encouraging industry, tourist trade

Jordan's Economy Expanding

I. V. MACDONALD,
Commercial Counsellor, Beirut.

JORDAN'S ECONOMY moved ahead strongly in 1965, thanks to official encouragement of industry and agriculture along free enterprise lines and economic aid from the United States and Britain. Prospects for the future are encouraging. Canadian exports to Jordan increased slightly last year to $245,000 but the market there for Canadian goods and services remains largely unexploited. Our chief exports at the moment are washing machines, T.V. sets, automobiles, and plastic laminates.

The development of Jordan has been somewhat affected by the large military expenditures but nevertheless agriculture and industry have expanded considerably. The gross national product has increased at an annual rate of 9 per cent, mainly because of growth in agriculture, mining and industry, greater productivity by the labour force, and a larger tourist trade. The population is becoming increasingly urban; Amman, the capital, now has over 400,000 inhabitants out of a total of 2 million for the country.

Jordan relies heavily on tourists to provide the foreign exchange it badly needs. Its many antiquities, such as the Roman forum in Jerash, attract the traveller.

Agriculture Still Basic

Industry has expanded significantly during the past decade and now includes a cement factory, a petroleum refinery, a number of foundries, marble factories, a vegetable oil factory, bottling and brewing, and the manufacture of clothing, footwear, furniture, confectionery, batteries and glass. But Jordan remains basically an agricultural country, with about one third of the population engaged in it despite considerable fluctuations in production and income in the dry areas that are subject to frequent droughts. Notwithstanding the difficulties and with the aid of irrigation, vegetable production has increased from an average of 120,000 tons during 1952-54 to over 500,000 today.

Only about 10 per cent of the land is under cultivation; the rest is nonproductive, largely because of insufficient rainfall. About 9 per cent of the cultivated land, mainly in the Jordan Valley, is under irrigation and some reforestation has taken place. The chief crop is wheat, followed by barley, grain, vegetables and fruits; however, the expansion in population has made grain imports necessary and these have been financed by U.S. aid. Olive production is increasing and sizable exports of olives and olive oil are anticipated.

Further agricultural development will depend largely on water supplies and these are to be improved through the Yarmouk River irrigation project in the Jordan Valley, much of which lies 1,000 feet below sea level. The first stage of this scheme, the construction of the East Ghor Canal, has been completed, largely with U.S. technical and economic assistance.

Minerals and Power

Jordan's known mineral resources consist chiefly of phosphates—production of which runs at about 800,000 tons a year—and potash, which occurs with many other mineral salts in the Dead Sea. Discussions are being held with a leading United States fertilizer producer on the construction of a $60 million potash extraction plant as a joint venture to be financed by the World Bank ($30 million), the U.S. company and local capital ($15 million), and AID funds ($15 million).

Government planning for industry and utilities is carried out by the Jordan Development Board in cooperation with various Ministries and

Departments. The new Seven Year Plan, soon to be published, is expected to set as its goals the reduction of the trade deficit, an increase in per capita income, and a reduction in unemployment. The Plan envisages an annual growth of 6 per cent in gross national product through investment (over half of which should be in the private sector) in agriculture, water, manufacturing, mining, electricity, transportation (including railways and civil aviation), and tourism (including hotel construction). Housing, education, health, welfare and other services will also be emphasized but agriculture, tourism, mining and industry will have priority.

Jordan plans to undertake in the near future further development of electric power, both thermal and hydro, an expansion of the electricity grid, an improved communications system, production of chemicals from the Dead Sea, and an increase in phosphate output. Projects for which no commitments have been made and which appear open to Canadian participation at present are the Mukhaiba Dam hydroelectric installation, sewer and water systems for Amman and other cities, and possibly a privately financed small steel rolling mill to produce reinforcing bar.

The contractors for the Mukhaiba Dam are the Arab Contracting Company, the well-known Egyptian firm, and general consultants are Yugoslavia's Energopiojekt. The dam is to be located on the Yarmouk River about 11 miles upstream from its confluence with the Jordan. It will be 1,200 metres long and 96 metres high. The power station is to have a capacity of 32 mw. and the irrigation will be sufficient for 75,000 acres on the east bank of the Jordan.

Tourist Travel Boosted

The tourist industry appears to offer Jordan the best prospects for increased foreign exchange earnings and should present projections be realized, it will provide a considerably larger income to be used to purchase imported goods and services. Jordan at present has about 400,000 tourists a year.

The country's only port, Aqaba, on the Red Sea, is being expanded and trade has been successfully diverted to Aqaba from traditional channels. A fishing company with cold storage and transportation facilities has been formed, partly with government aid, and assistance is being sought from private sources for the further development of the fishing operation.

The United States was Jordan's chief supplier in 1964, followed by Britain, West Germany, Syria, Lebanon and Japan. Jordan always has a trade deficit but is able to compensate for the excess of imports over exports by foreign aid, income from tourists, and other earnings.

Canadian products now exported to Jordan or for which inquiries have been received include:

canned foods	construction materials
confectionery	prefabricated houses
used clothing	nuts and bolts
footwear	kerosene space heaters
giftware	refrigerators
oil cloth	washing machines
vinyl cloth	agricultural equipment
synthetic rubber	tinplate
lumber	steel rails
newsprint	truck parts
	aircraft

There is also some demand for consulting and contracting services and various types of partnerships in joint ventures.

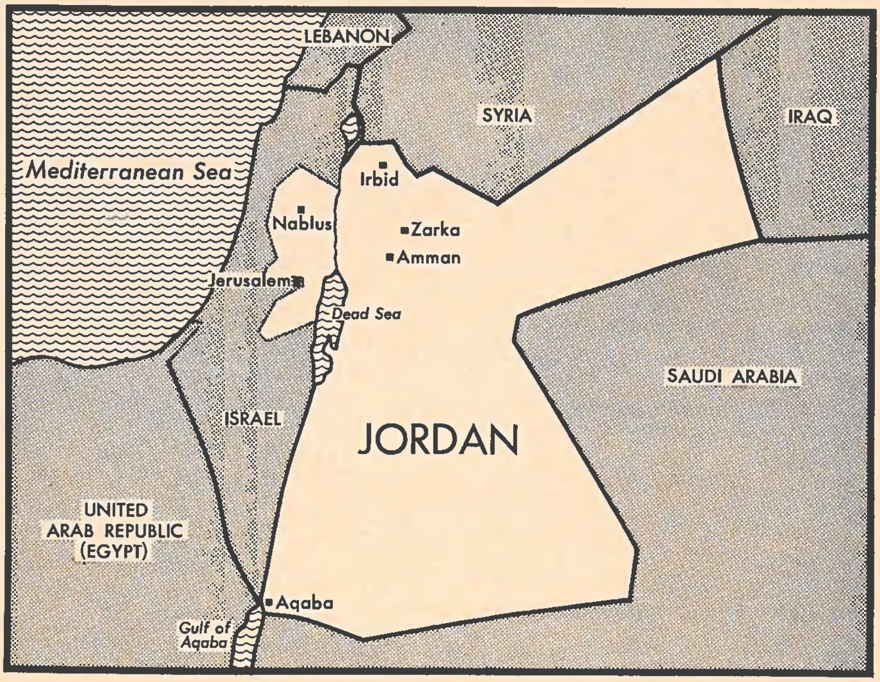
Imports are controlled but licences are issued freely for most goods, except those similar to Jordanian products; these are not admitted readily. Canadian exporters visiting Jordan will find a receptive market, a congenial and hospitable business community, and an authentic Biblical atmosphere which in itself makes the trip well worthwhile. ●

TABLE I

CANADA'S TRADE WITH JORDAN

	1963	1964	9 mos. 1965
	(Can. $'000)		
Exports to Jordan			
Total	244	245	235
Chief exports			
Washing machines	60	65	55
Automobiles	53	....	12.6
Laminated plastics	41	49	17
T.V. sets	....	14	34
Other exports			
Milk powder	6	....	....
Dairy products	....	14	....
Flour	3	22	.6
Sanitary paper	7	5.5	.8
Textile rags	.5	16	4
Isotopes	....	7.6	....
Asbestos brake linings	9	8	6
Tires	20	....	3
Apparel and apparel accessories	1.5	14	29
Medicines	7.5	1.3	7.7
Imports from Jordan			
Total	2.7	9.6	2.4

Imports consists of religious articles, antiques, mother-of-pearl, collections, and other local handicraft articles.



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Syria Nationalizes Trade, Industry

Ancient Damascus has over the centuries been transformed into the modern capital of Syria and an important Eastern commercial centre. Broad streets and well-designed public parks like the one in the foreground add to its attractiveness.

E. MAKHLOUF,
Commercial Assistant, Beirut.

THE backbone of Syria's economy is agriculture, with grain and cotton, the major crops, providing 75 per cent of exports in a good year. Cotton production has increased fourfold in a decade and reached 470,000 tons in the last season. Animal husbandry also makes a significant contribution and there are large flocks, mostly of sheep, which graze on the steppes. Industry, though small by Canadian standards, accounts for 15 per cent of the national income, with textiles in the lead. Some development has taken place in the cement industry and in addition to food-processing plants, a number of large tanneries, two sugar refineries, a vegetable oil refinery, a glass factory and a petroleum refinery are now in operation.

Syria possesses a few minerals, but oil discovered recently will become the major factor when the pipeline and all drilling operations have been completed. The present exploitable reserves, estimated at about 200 million tons, should bring returns of $100 million a year. At the moment the only oil revenues are from the transit payments on crude from Iraq and Saudi Arabia running through pipelines to the Mediterranean coast. Income from this source amounted to $32 million in 1964.

Despite these resources, Syria has been having economic problems because of drought and political unrest. Four consecutive years of drought (1958-1961) and economic uncertainties contributed toward the downtrend. The wheat crop fell from 1.37 million tons in 1962 to 1 million tons in 1965, and the heavy October rains affected the quality of the cotton crop and its export value. Gold and currency reserves continue at a low level and foreign exchange is severely controlled.

State Takes Over

The Government's declared policy of socialism culminated in the nationalization, after the banks, of 150 of the leading industrial and trading firms. This was followed by the takeover of all private electricity companies and the monopoly by the Government of major imports and the export of cotton, wheat and barley. As it now stands, the bulk of the trade is controlled by the State Import and Export Corporation, or SIMEX. This company handles the import of all industrial raw materials, staple foodstuffs, construction materials, pharmaceuticals, tobacco, fertilizers, agricultural machinery, paper and lumber, automobiles and miscellaneous consumer products. (See box feature opposite.)

The part played by the private sector has thus decreased. At year's end, however, there appeared to be a halt to the nationalization campaign and the Government proposed credit facilities to encourage private investment. Nevertheless, many Syrian businessmen consider this trend to be temporary because the new cabinet formed in late December confirmed the unswerving direction of the economy towards state ownership.

What SIMEX Trades In

SIMEX, the State's Import and Export Corporation, handles the following products exclusively:

Coffee
Tea
Rice
Copra
Prepared or preserved meat and fish
Crude Sugar
Preparations of a kind used as infant food
Tobacco
Salt
Pharmaceuticals, including veterinary medicines
Fertilizers
Tires
Raw hides and skins
Lumber
Paper
Yarn of synthetic or artificial textile fibres
Wool (carded or combed)
Yarn of carded or combed wool
Textile fibres (synthetic or artificial)
Jute fabrics
Jute sacks and bags
Iron and steel (bars, rods, angles, shapes, sections, sheets, plates, tubes, pipes, tube and pipe fittings and blanks)
Copper bars for industry
Harvesting and threshing machinery
Television apparatus
Tractors
Motor vehicles and chassis

Development Going Forward

There were several industrial developments during 1965 and especially in public projects with foreign aid. Apart from the expansion of the assembly plant for television sets and the merger of two refrigerator and electrical appliance factories, specific industrial projects currently on the way are five flour mills with East German co-operation, the second part of a nitrogenous fertilizer plant with Soviet aid, and the third part with Italian suppliers' credits.

The major development was the signing of an agreement for the construction of a 22-inch pipeline from the oilfields in northern Syria to a coastal terminal, a distance of 400 miles. A British consortium has agreed to build the line at a cost of $41 million, with British financing. The German and French, among Western countries, were also successful in obtaining large contracts. Under a French Government $60 million credit, the French were awarded tenders for a $6 million high-tension power circuit, the Damascus international airport, and radio installations. Siemens of Germany won a contract for the installation of 100,000 telephone lines with a heavy subsidy from the German Government.

U.S. companies will build eleven grain silos under an AID program, and a British firm has agreed to supervise for five years the operations of a dry-cell battery plant due to go into production late in 1966. The U.S.S.R. is now considering financing the important Euphrates Dam for which the West Germans initially granted and subsequently held back a DM 350 million loan. A Canadian firm was retained to complete a feasibility survey on a 30,000-ton newsprint factory.

The Second Five Year Development Plan, which was to go into operation on January 1, 1965, was postponed until January 1, 1966. The plan has not yet been published but it has been announced that the plan is intended to achieve an annual growth in national income of 7 per cent. Total investment is expected to rise from Can.$190 million to Can.$285 million a year by 1970, with the biggest share coming from the public sector. Emphasis is on agricultural development, phosphate and oil mining, and intensive exploitation of water resources for irrigation as well as electric power. The dominant features are the new Damascus airport and the pipeline which opens the way for the commercial exploitation of the country's petroleum reserves.

Foreign Trade

Syrian imports during the first ten months of 1965 totalled Can.$182 million, well below the $253 million of 1954. This was partly achieved by keeping imports of non-essentials in check, including the stopping of automobile imports. Even tractors were not imported pending a government study for a local assembly plant, and the nationalized industries for a short while operated on existing stocks only. A small rise in imports of building and raw materials was expected in the latter half of 1965 but foodstuffs and other consumer goods remained at the top of the list.

The major portion of the trade was carried on, as before, with the Western countries; West Germany, Britain and the United States were the leading suppliers. However, imports from the Communist Bloc, whose shipments to Syria had already gone up from 11 per cent in 1963 to 16 per cent in 1964, increased. On the other hand, because of the heavy credit balance in Syria's favour with Communist countries, there was some pressure to buy more from them even on a barter basis.

On the export side, wheat shipments fell off almost completely and barley sales dropped. Cotton provided the largest revenue despite the smaller crop. All the same, exports had an exceptionally good season, judged by the figure at the end of October 1965 of $142 million against $123 million for the same period in the previous year. Exports for the whole of 1964 were $189 million.

Communist countries bought 65 per cent of Syria's total exports of the 1964-65 crop season, with Communist China leading with 29 per cent, followed by Rumania and the Soviet Union. On January 1, 1966, (or three months after the 1965-66 crop season started) China and the U.S.S.R. had again taken 60 per cent of the 70,000 tons of cotton sold by Syria in those months.

Trade with Canada

Canada's trade with Syria has always been small, but even so Canadian exports fell sharply from $713,000 in 1963 to $387,000 in 1964, mainly because Syria ceased to import automobiles, which used to form a major part of our trade with this country. DBS figures for the first ten months of 1965 indicate our exports rose to $435,000, thus exceeding the total for the entire previous year. Tobacco and textile rags were the main items, with dairy products, Douglas fir and steel sheets. Many of the imports from Canada are in the hands of SIMEX. Canada imported $439,000 worth of cotton linters from Syria in 1964 and $300,000 in the first eight months of 1965.

Table I lists the chief Canadian products sold in Syria.

TABLE I

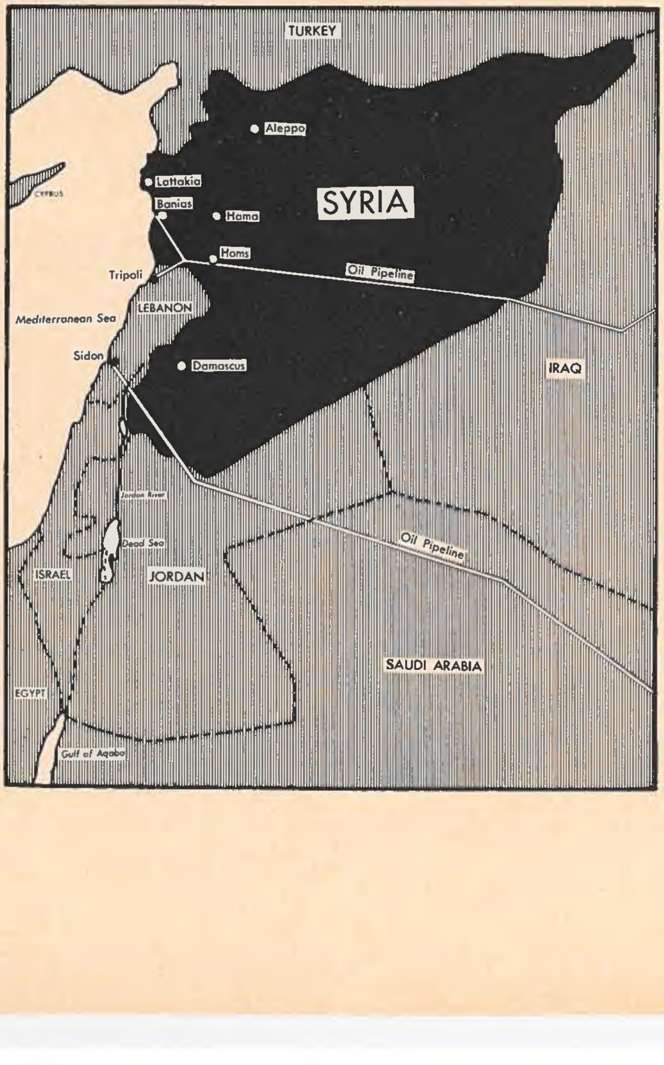
WHAT CANADA SELLS TO SYRIA

	1963	**1964**	**Jan.-Oct. 1965**
	(Can. $'000)		
Automobiles	242	32	2
Textile rags	85	88	67
Steel sheets	112	66	33
Pharmaceuticals	64	2	7
Yarns	42	2	....
Disc harrows and parts	34	....	....
Milk powder	31	4	....
Dairy products	....	15	53
Asbestos brake linings	9	23	29
Lumber	8	49	49
Wearing apparel	....	....	20
Tobacco	....	....	88
Total, including all others	**713**	**387**	**435**

Opportunities More Promising

The Syrian economy seems to have done reasonably well in 1965. Exports were larger than some had expected and the year closed with a marked reduction in the trade deficit. With the reorganization of the public sector and the new Five Year Plan, government investment in the development of industry and agriculture and the improvement of transport and communications will undoubtedly contribute to greater market activity and more private consumption. This will, of course, depend on the maintenance of the relatively stable political atmosphere and on the future harvest. The outlook for the harvest appears encouraging to this date, following abundant rainfall during December and January. Equally prominent is the restocking of the nationalized industries that cut down on their imports after the take-over, and the prospects of relations with SIMEX which has wrought some changes in the purchasing pattern. By its nature, SIMEX is selective and as sole importer its buying policy is based more on competitive offers than on preferences decided in advance.

The general situation is fairly good and Syria offers increasing opportunities, particularly in government contracts under the development plan —turnkey industrial plants, irrigation, expansion of electric power systems, etc. The outlet is therefore good for a major increase in Canadian exports and there are indications of excellent prospects in selling capital goods; agricultural, irrigation and electric equipment; staple fibres and yarns; pharmaceuticals; newsprint, and perhaps diesel locomotives. Interest has also developed in parts and assemblies for refrigerators and washing machines for local manufacture. Although most of the large projects are tied to countries that provide financing, opportunities for Canadian consulting engineers may appear from time to time and Canada may also rate as a source of supply for some specified items. ●



Trend is towards more private trading as

Iraq Stresses Development Plan

R. H. M. CATHCART, *Assistant Commercial Secretary, Beirut.*

IRAQ has achieved significant progress during the past ten years. Gross national product has gone up at the rate of 7 to 8 per cent a year and the per capita income has nearly doubled in the last decade. Growth has, however, been concentrated in the oil industry and in the public sector. Agriculture and the private sector have tended to mark time.

The Government's new policy of stimulating private trade, moving away from earlier policies aimed at nationalizing the economy, constituted one of the major economic changes in the Middle East during 1965. The sweeping nationalization measures of mid-1964 practically eliminated the private sector as a force in the economy. Now private enterprise is being encouraged to assist in major developments in industry and agriculture under the new Five Year Plan by promises of protection and large-scale government aid. In addition, private firms will be allowed to undertake the import of most goods previously the monopoly of the state.

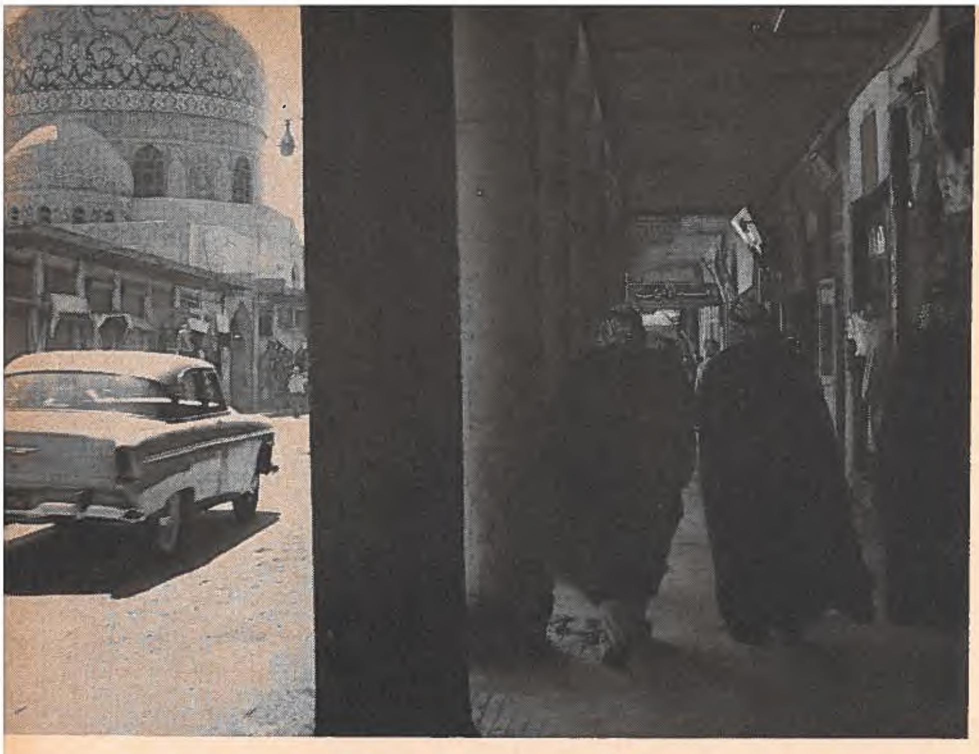
These developments improve the prospects for Canadian trade. The Government will be importing a great variety of goods and services, especially under the Five Year Plan, and many of these could be supplied from Canada. There are even better opportunities for the introduction of new products.

Oil Holds the Key

Oil is the keystone of the Iraqi economy, supplying over 90 per cent of its export earnings and almost one half of the gross national product. Iraq is the world's seventh largest oil producer and has sufficient known reserves for over 100 years at the present rate of production. Between 1959 and 1965 crude oil exports increased from 41.6 million to 63.1 million tons. The Government receives one-half of the profits on oil exports, which in 1963 amounted to $343 million. With this, it is able to finance 50 per cent of its ordinary budget (the rest comes mainly from customs dues) and about 70 per cent of its share of the development budget under the new Five Year Plan. The production of oil (and consequently government revenues), could expand much more when the question of concession rights for oil exploration and development is settled. The Iraq Petroleum Company (jointly owned by British, European and U.S. oil companies) is the sole oil exporter and had concession rights covering the whole of Iraq until a few years ago. It now holds concession rights only for the fields in production. The company has little chance to open up new fields unless it receives concession rights on more land. Some agreement on this question is expected to be reached this year.

Agriculture to Be Improved

Agriculture, although it contributes only 25 per cent of the gross national product and about 6 per cent of export earnings, is the major occupation of over half the population and one of the areas in which a great deal of development will take place. Nearly half of Iraq is desert, with most of the arable land on the plains adjacent to the Tigris and Euphrates Rivers. The largest and most commonly grown crop is barley, followed by wheat and smaller quantities of pulses and cotton. Normally Iraq produces an exportable surplus of barley and wheat; however, in the years of poor rainfall these cereals have to be imported to meet domestic requirements. Iraq is also the world's largest



Two Iraqis take refuge from the blazing sun in the colonnade bordering Rashid Street in Baghdad. Note the beautiful mosaic work on the dome seen at the left.

producer of dates; well over 70 per cent of all the dates consumed come from this country. Animal husbandry has been growing in importance but chiefly for domestic consumption.

Agricultural production over the last few years has increased by only 3 per cent a year; the rise in gross national product has averaged 7 per cent. The Government intends to bring more land into use through improvements in irrigation and to increase production through improved techniques, including the use of fertilizers.

Most of the arable land was taken over by the Government after 1958 for development under its planned agrarian reform. The redistribution has proceeded slowly. A small percentage of the land has been given to small farmers, a number of co-operatives have been established, and the remaining land has been leased to tenants. The situation is being reappraised with the view to creating larger privately owned holdings.

Industrial Development Plans

The new Five Year Plan announced last April (1965/66 to 1969/70) emphasizes the development of industry, electric power and agriculture. Under this plan a total of over $2 billion will be invested. (See Table I.) Of this the Government will contribute $1.7 billion—70 per cent from oil revenues and the remainder from local and foreign loans, profits from nationalized industries, savings and cash on hand. The remaining $321 million is expected to come from the private sector.

The current situation is that the Government owns over 75 per cent of all industry and it has undertaken most of the current development plans. The smaller factories remain in private hands but the larger operations, mostly building materials, were nationalized in July 1964. Private enterprise has lately been permitted to participate in the production of consumer goods.

TABLE I

FIVE YEAR DEVELOPMENT PLAN 1965/1966 TO 1969/1970

Total anticipated expenditure by the Government

Sector	**($'000)**
Agriculture	426,000
Industry and electricity	471,000
Transport and communications	273,000
Government building and services	326,091
Planning and follow-up and administration	7,410
Defence production projects	105,000
International commitments	75,000
Total	**1,683,501**

Source: Middle East Economic Survey.

Except for construction of some industrial projects, activity in the public and private sectors was slow during 1965. To get things moving, the Government will now allow private companies to be set up with a capital of up to $750,000 and more in some cases. Various forms of state assistance are being considered. In addition, the Government has allocated nearly 28 per cent of its anticipated expenditure under the Five Year Plan (or $471 million) for the development of the manufacturing industries and electric power.

Several major developments have taken place in chemicals and petrochemicals. An Italian company is to set up a plant costing $13 million to expand the production of lubricants to meet greater domestic demand. A contract for a sulphur recovery plant has been awarded and consultants have been retained for a proposed nitrogenous fertilizer plant. After many years of study, a major petrochemical plant is to be built. It will produce caustic soda, chlorine, ethylene, polyethylene and P.V.C. and will be completed in about five years. A planned Kirkuk/Baghdad gas pipeline and an L.P.G. plant costing $39 million should be in operation by the end of 1967. A British firm was awarded the $9 million tender for the expansion of the Mosul textile mill. Other major projects are a rayon textile factory and a pulp and paper mill.

In the private sector, the Ministry of Economy has licensed companies to manufacture domestic appliances, T.V. sets and bicycles.

Tenders closed recently for the consulting work on an extensive microwave project. This project is to link up all major towns in Iraq and will cost the government $9 million. Extensive road developments are also planned.

Agricultural Projects

To assist in the development of agriculture, the Government plans to finance a number of projects. It has allocated 25 per cent of its anticipated expenditure under the new Five

TABLE II

WHAT IRAQ BUYS*

Commodity Groups	1964 (prov.) (Can. $'000)
Textile piecegoods (silk, cotton, wool, synthetics and carpets)	45,346
Sugar	32,346
Non-electric industrial machinery (steam generators, diesel engines, pumps, cranes, construction equipment, textile machinery and other machinery)	31,634
Iron and steel products (bars, rods, sheets, pipes, nuts and bolts)	30,267
Cereals (wheat)	29,119
Tea and coffee	25,379
Chemicals (organic, inorganic and prepared)	25,378
Transportation equipment (automobiles, trucks and parts)	21,512
Electrical machinery (generators, accumulators and miscellaneous equipment)	18,667
Domestic electrical appliances (stoves, central heating units, air conditioners, refrigerators, washing machines, sewing machines, fans, vacuum cleaners, radios and television sets)	17,121
Fruits and vegetables	13,328
Timber	10,019
Vegetable and animal oils	8,211
Tires and tubes	7,551
Agricultural equipment (tractors, combines and parts, dairy machinery)	7,101
Paper products	6,585
Glass and ceramic products	6,467
Meat and dairy products	4,099
Yarns (silk and cotton)	3,124
Total, including all others	**445,977**

Source: Iraq Ministry of Planning, Central Bureau of Statistics.

*Latest available statistics.

TABLE III

WHAT IRAQ SELLS

Commodity Groups	(Can. $'000)
Oil (crude)	845,275
Dates	18,450
Cement	5,742
Wool (raw)	5,518
Raw hides and skins	3,568
Cotton (raw)	1,919
Straw fodder	1,613
Cereals	1,549
Seeds	1,410
Total, including all others	**902,086**

Source: Iraq Ministry of Planning, Central Bureau of Statistics.

TABLE IV

WHAT CANADA SELLS TO IRAQ

	1963	1964	10 mos. 1965
	(Can. $'000)		
Sugar	1,710	....	....
Asbestos milled fibres	91	209	43
Sheet and strip steel	798	139	17
Gas stoves	67	77	16
Motor vehicles	81	....	32
Washing machines and parts	81	66	59
Milk powder	77	....	17
Copper alloy pipe and tubing	....	62	....
Infant and junior foods	68	66	134
Aluminum (ingots)	63	....	....
Pharmaceuticals (biologicals, antibiotics, vitamins)	62	57	36
Dairy products	....	44	....
Nuts, bolts and screws	24	41	33
Industrial machinery (shoemaking, rubber-working, etc.)	37	2	61
Refrigerators	.48	33	....
Insulated wire and cable	31	....	....
Plastic and synthetic rubber	25	24	24
Refractory brick	....	24	....
Asbestos brake lining	11	21	10
Air conditioning equipment	.44	15	....
Agricultural equipment (parts)	58	8	86
Total exports, including all others	**3,376**	**957**	**641**

Source: Dominion Bureau of Statistics.

Year Plan (or $426 million) to agriculture. During 1965 a tender was announced for the construction of the Amarah sugar cane plantation and refinery to cost some $30 million. To increase grain storage capacity and thus stabilize price and supply, tenders will shortly be awarded to consultants to design a large number of grain silos, to cost about $12 million.

In all probability, the $144 million Haditha Dam project for the Euphrates River will shortly go ahead under Soviet technical auspices and financial aid.

Some Problems Persist

Although the economy is basically sound, some strain has become apparent in the last few years. The Government increased its international indebtedness substantially from 1963 on to cover more spending on development projects and defence and for compensation to nationalized firms.

Because foreign exchange reserves declined in 1965, the Government decided to keep imports in check. All imports are controlled through a system of import licences, so the Government simply cut back quotas on commodities imported by the private sector and controlled imports made by government trading companies. This action caused some shortages and inflation was held in check by price controls and profit margin fixing. One government agency also entered the market in competition with private firms, cutting prices (usually of staple foodstuffs) to what was considered a reasonable level.

Foreign exchange holdings at the end of September totalled U.S.$280 million, equivalent to over six months' imports. Iraq made drawings on its Soviet loan and by the end of March 1965 these totalled $102.6 million. Much smaller credits were obtained from Czechoslovakia and others are under negotiation with the Communist Chinese. Some assistance has also come from the West, notably Sweden and West Germany. The U.S. Export-Import Bank recently made three loans totalling U.S.$13.6 million to finance the projected Baghdad power station and industrial projects using U.S. equipment. The World Bank has also loaned the country some U.S.$23 million.

The Trade Picture

Import statistics for the twelve months of 1965 are not available but are expected to be below the record $445.9 million in 1964 (only $349.5 million in 1963). Iraq's major imports consist of all types of machinery but important amounts are also spent on textile piecegoods and some foodstuffs. (See Table II.) In 1964, imports of sugar, textile piecegoods, iron and steel products, cereals and automobiles and trucks rose noticeably.

Exports in 1964 increased significantly, from $839.6 million in 1963 to $902.0 million in 1964, because of oil shipments. (See Table III.)

Iraq's main trading partners in 1964 were the United States (13.6 per cent), Britain (12.8), West Germany (8.5), the U.S.S.R. (5.19), Ceylon (5.12), Japan (4.1), and Belgium (3.9). Britain, whose trade with Iraq has been falling off over the last few years, has yielded first place to the U.S. Japan's sales have risen rapidly to a point where it has passed Belgium, a traditional supplier.

Canadian Trade

Canada's share of the market is small but could be built up if we paid more attention to the market and especially to selling to the Government. (See following article.)

Our leading exports in 1965 were industrial machinery and agricultural equipment. There is a good market for domestic appliances and we have been particularly successful in supplying washing machines (Table IV).

Exports of raw materials, such as asbestos and raw plastic, continue but with new factories going up and old ones being enlarged, there are greater opportunities for selling other raw materials as well.

A number of industrial projects have interested Canadian consulting engineers active in this area. We have had some measure of success in this field in the past and prospects are excellent. ●

Selling to the Iraq Government

Canadian companies will find that the Government is the best potential customer in Iraq. To become a supplier of the many products and services it purchases each year, you must first understand how it issues and appraises international tenders.

R. H. M. CATHCART, *Assistant Commercial Secretary, Beirut.*

WELL OVER 60 PER CENT of imports into Iraq, it is estimated, are made by the Government's agencies, services and nationalized trading companies and factories. The Government's method of buying differs in many respects from ordinary commercial procedures but because of the size and diversity of its purchases, it offers the best opportunities to Canadian firms.

The Government and its associated agencies, etc., spend well over $1.4 billion a year. Ordinary budget revenue is estimated at $571.9 million for 1965/1966 and in addition, it plans to spend about $400 million under the new Five Year Plan. Other government services such as the nationalized railways and the National Electricity Administration have budgeted their revenues for 1964/1965 at $445.5 million. There is no estimate for the recently nationalized trading companies but they add a fair amount to the total.

Many of the Government's needs must be obtained from abroad because there are virtually no manufacturers producing industrial equipment and machinery. The services of foreign consultants, engineers and contractors must also be engaged, especially for the large turnkey industrial projects and major irrigation and land developments under the Five Year Plan.

Buying Methods Explained

The Government uses two methods of purchasing:

1. Dealing directly with local and foreign firms.

2. Issuing international tenders.

The former method is more commonly used by the nationalized trading companies and in obtaining most of the ordinary requirements of the government factories. The tender method is used in purchasing most of the goods and services required under the ordinary budget and especially for purchases under the Five Year Plan.

For purchases without tenders, a foreign company must make its products known to the government agency or nationalized company. Then when goods are needed, the firm is requested to supply additional information on the product and prices if necessary. This is not very different from normal commercial procedures. A local representative can be helpful in alerting the Canadian firm to prospects in the various government agencies and companies and giving all the information needed in direct dealings with the government body.

Handling Tenders

In many instances Canadian firms have shied away from government tenders because of what appear to be stiff terms set out in the tender conditions and specifications. A closer examination of the terms, however, plus a study of how the Government handles tender quotations, shows that these do not present insurmountable problems nor too great a financial responsibility. Past experience indicates that the Government will accept some deviations from the tender specifications and conditions if these are justified. It would be to your advantage nevertheless to comply with all the terms because then your chances for success will be much better.

The tender notice usually appears in a local newspaper and sets forth the principal conditions which apply to almost all tenders. One of the main conditions is the performance bond. Usually it is a fixed amount or is calculated to be 7 per cent of the first thousand dinars ($210, approximately) plus 5 per cent of the remainder of the total value of the tendered articles. This cash guarantee is returned to the tenderer immediately if he is unsuccessful. If he is successful, it will be returned after the goods have been delivered or after some specified period after delivery if tests have to be made to ensure that the equipment works properly. There is usually a penalty clause covering late delivery; it amounts to 1 per cent of the total value for each week the

These Government Ministries and Agencies purchase through tenders:

1. **Ministry of Health**

   Director General, Medical Stores—purchases, usually by tender, medical supplies and equipment for all government-owned hospitals and clinics.

2. **Ministry of Communications**

   (a) The Iraq Republican Railways Services Administration—purchases locomotives, rolling stock and other miscellaneous supplies for the railroad. In the new Five Year Plan there is a $4 million allocation for the purchase and installation of automatic signalling lights.

   (b) Administration of Posts, Telegraph and Telephones—purchases are mostly of telephone exchange units, instruments and ancillary equipment. A large tender for microwave equipment should be called later this year.

   (c) Director General of Roads & Bridges—purchases supplies connected with roads and bridges and is also charged with building airports. All equipment for the new international airport will be bought through tenders released by this department.

3. **Ministry of Municipal & Rural Affairs**

   Director General of Planning and Design—this department carries out artesian well drilling and purchases drilling equipment and pumps for these projects. It also purchases by tender diesel generators for village power supplies, integrated water-treatment plants and chemicals, water-main pipes in steel and cast iron.

4. **Ministry of Industry**

   Director General of Industrial Design and Construction—this Ministry looks after the establishment of complete industrial plants, usually as turnkey projects. Currently it is considering setting up a pulp and paper mill, petrochemical and fertilizer plant, a steel and iron foundry, a glass factory and a plant to manufacture nylon threads. These plants will all be turned over to autonomous administrations under the supervision of the industrial establishment.

5. **Ministry of Oil**

   The four divisions in this Ministry purchase tinplate and steel sheets for drum manufacture, drum closures, chemicals and additives, curbside pumps, seamless steel pipe, lubricant oils, tools, bolts and nuts, and gas cylinders.

6. **Ministry of Agriculture and Ministry of Agrarian Reform**

   Both Ministries purchase seeds and fertilizers, chemicals, tractors and other farm implements.

7. **Ministry of Economics**

   (a) The Iraq Date Trading Company—it releases an annual tender for large quantities of wooden boxes and accessories for date packing, waxed kraft paper, cellulose film, fumigation chemicals, etc.

   (b) Director General, Government Purchasing Board—purchases by tender and through direct dealing all staple food imports such as tea, sugar, rice, tomato paste and foodstuffs, and miscellaneous consumer goods such as razor blades, etc.

8. **Ministry of Finance**

   (a) Director General of I'asha—purchases wheat and barley when domestic supplies fall short, and milk powder for free distribution to the poor.

   (b) Government Press—purchases annually $1.5 million worth of paper products, notebooks and stationery.

   (c) Central Foreign Purchasing Board—this Board often issues the tenders on behalf of other Ministries and government agencies which do not have adequate facilities to look after the handling of tenders themselves.

goods are delayed. Although the tenderer must accept this, usually he can limit the total penalty to a fixed percentage—for example, 5 per cent of the total value. Payment for goods and services is usually made after delivery and the supplier may apply for export credit insurance to the Export Credits Insurance Corporation.

Meeting Specifications

The specifications of the goods to be supplied or the services to be performed usually describe equipment, machinery or consulting engineering services with which some government body has had previous experience or which it feels would be suitable for the purpose in mind. They often are slanted towards a product manufactured in another country which may have features differing from the Canadian product. The Tenders Committee examining each quotation certainly realizes that there are differences between types of products or methods of performing services and it has been fairly flexible in its approach. When a particular specification cannot be met, the reason must be explained carefully. If the explanation justifies the change, the tender will be considered carefully.

Agent Can Help

It is always essential to have a local agent or representative; sometimes these agents can be given special legal powers (special or general power of attorney) to act on your behalf with the government body or committee accepting the tender.

The agent can be helpful in the following ways:

1. Giving advance notice of tenders coming up so that you will have sufficient time to deal with all matters connected with them. All too often, tender notices appear in the local press too close to the closing date to give you sufficient time to act on them.

2. Purchasing tender documents and forwarding them to you.

3. Providing for translation into Arabic if this is required.

4. Promoting your interests generally on the spot. Agents are fully aware of all the circumstances and prerequisites of the tender; it would be difficult for a Canadian firm to be conversant with these.

5. Ensuring that the tender is in an acceptable form and delivering it to the appropriate government body.

As a standard practice, all tender notices for products or services which could interest Canadian companies are sent to the Department by our office for circulation. If, however, you wish to have continued direct assistance, our office in Beirut will be pleased to suggest names of suitable representatives for you to contact. In the past, Canadian firms have won a number of tenders, including those for supplying tinplate and vaccines and for consulting engineering work. Why not look into the possibilities? ●

Oil has brought prosperity, created good markets

The Gulf States—North to South

VICTOR G. LOTTO,
Assistant Commercial Secretary,
Beirut.

OIL REVENUES estimated at a billion dollars a year have brought nearly all the states in the Gulf from obscurity to world attention in just over two decades. Twenty-five years ago, the inhabitants of this desert region barely earned their subsistence from marginal farming, pearling, small boat building, entrepot trade and smuggling.

Since oil was first produced commercially in 1946, the town of Kuwait has been transformed from a mud-walled village into a sprawling ultramodern city. Bahrain's progress has resulted from a thriving transit trade and oil. Qatar is fast becoming a modern state, thanks to the skilful use of oil revenues. The export of oil from Abu Dhabi, the largest of the Trucial States, began only in 1962. Development in this region has thus been slower than in the northern reaches of the Gulf. However, Abu Dhabi's annual oil income, estimated at $75 million, should accelerate progress. Muscat and Oman's increasing petroleum revenues also promise a quick change in the economy of the Gulf's southern sector.

It is no longer possible to group all Gulf countries together in discussing marketing there. Kuwait, Bahrain and Qatar, because of a longer history of large revenues, have relatively advanced economies. Infrastructure projects have been completed and now development plans emphasize economic diversification. The Trucial States, Muscat and Oman are in the initial stages of development and at the level achieved by their northern neighbours about 15 years ago.

There are trade opportunities everywhere in the Gulf. The three advanced countries to the north require sophisticated products and services; those in the south have the needs of a developing region. There are, of course, similarities throughout this area. All share an extreme climate, with summer sun temperatures reaching sometimes as high as 168 degrees. With industry at early stages in Kuwait and with almost no agriculture, virtually everything must be imported. In all the states, customs duties are low, and import and exchange controls non-existent or negligible.

Separate Agencies Needed

In all these states, foreign agencies by law must be held by nationals. Canadian exporters cannot expect to get adequate coverage of the area by assigning representation to an agent in one country only; separate agencies for each should be established. This is really not as cumbersome as it sounds. An agent in Kuwait or Bahrain, for example, can often promote the products of his principal through Gulf firms in which they hold a minority interest. However, it is essential that the other Gulf partners in such an arrangement be capable of handling successfully the products of Canadian exporters. The Commercial Division of the Canadian Embassy in Beirut will be pleased to provide a frank assessment and if necessary recommend alternative contacts.

These Sell Well in the Gulf States

- **Automobiles**
- **Automotive spare parts and accessories**
- **Canned goods and foodstuffs**
- **Consulting engineering services**
- **Construction equipment and building materials**
- **Electrical machines and appliances**
- **Lumber and plywood**
- **Pharmaceuticals and hospital supplies**
- **Telecommunications equipment**
- **TV receivers**

Gulf markets are fiercely competitive. Plenty of foreign exchange and the practice of doing business on letter of credit have attracted keen exporters from all parts of the world. Quality is quite often secondary; low prices and guaranteed delivery dates are the major factors in closing sales. Only in Kuwait and Bahrain does credit sometimes play a determining role. The exporter should be prepared to grant credit terms throughout the area when he has conducted business successfully with an agent over a period of time.

Business by Tender

Governments are the most important purchasers and they normally place orders by tender. Tenders called by government departments and oil companies account for about one half of total imports in these countries. Astute local agents are essential for dealing with the Governments and they are able to furnish tender notices to principals in advance of publication. Although government requirements comprise the bulk of business, exporters should not neglect small volume orders. The small shipment today, if promoted aggressively, may lead to a substantial government contract tomorrow.

There is a good scope for Canadian consulting engineers and contractors. Canadian consultants are now working on a design for a $40-million waterfront development project in Kuwait and a $27-million airport and bridge project in Abu Dhabi.

Canadian sales to the area reached $1.5 million in 1964 and in the first six months of 1965 went up sharply to $2.7 million.

KUWAIT

Buys Canadian Goods, Services

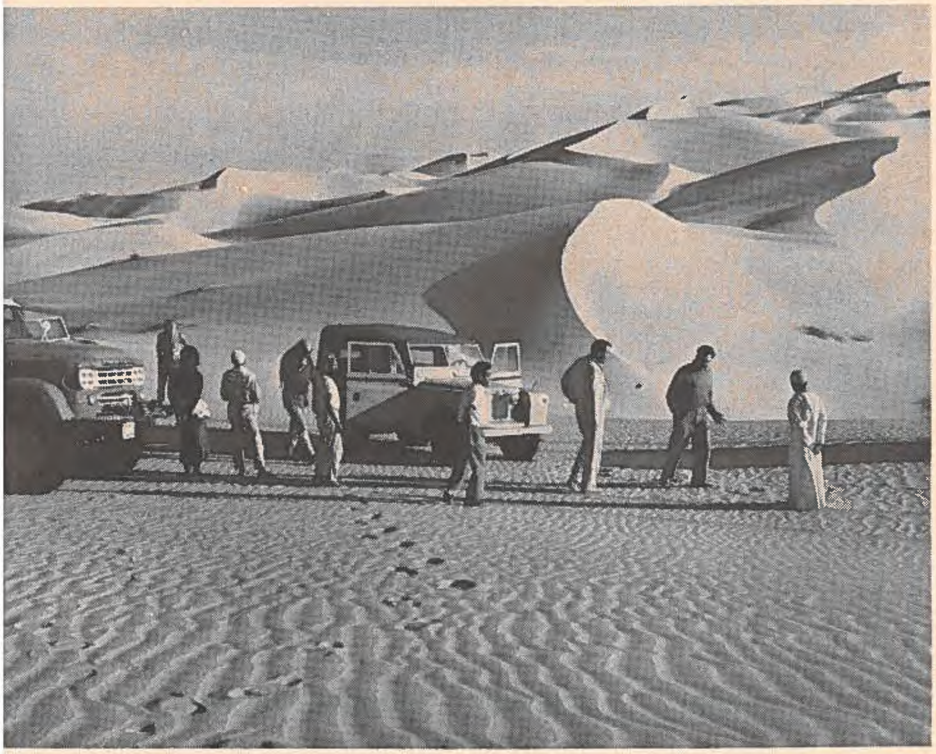
KUWAIT now ranks as the world's second largest oil exporter and the fourth largest oil producer. Oil revenues give the country more influence in Middle East economic affairs than its small size (6,000 square miles) and population of 468,000 would suggest. While following vigorous internal development policies, Kuwait exports capital to other Arab countries. The Kuwait Fund for Arab Economic Development, capitalized at $280 million, has loaned $120 million to Arab countries. Additional development loans will be made from this fund during the course of the year. No wonder Eugene Black, former president of the World Bank, described Kuwait as "one of the world's greatest single financial forces."

The economy continues to expand vigorously. In 1964, oil output advanced by 10 per cent to 106.7 million metric tons and it gained a further 4½ per cent in the first half of 1965. State oil revenues for 1965/66 may exceed $702 million. Government spending, which accounts for half of the gross national product, has risen sharply. The 1965/66 budget earmarked $437 million for government expenditures and extensive welfare services. The approval of a $648 million government land and purchase program over a five-year period will assure heavy spending.

Industrial Development

The Government has announced its intention of raising the level of industry. Industrial development projects, the Kuwait chemical fertilizer plant, the Kuwait national oil refinery, and several small factories moved into the construction phase last year. The refinery, owned 60 per cent by the Kuwait Government and 40 per cent by local investors, will have a yearly capacity of four million tons. These major projects are located at the Government's new industrial area at Shu'aiba in southern Kuwait, about 25 miles along the coast from Kuwait town.

Early in 1965, the National Industries Law was passed. This requires government licences for all manufacturing and processing operations and provides substantial government assistance in site allocation, low-interest loans and tariff protection to new industries. In addition to the major petrochemical and petroleum projects, several small factories have been set up. The Kuwait Flour Mills Company started operations with a monopoly of flour imports and marketing. Several local groups are interested in establishing tire, battery, glass, and electric cable factories. Kuwaiti businessmen



The never-ending search for "black gold" in the Gulf states often takes geologists back into the arid desert. Here a geological party organized by the Abu Dhabi Petroleum Company is carrying out a survey in the desolate Liwa region.

welcome Canadian participation in joint industrial ventures.

Trade

In 1964, Britain was Kuwait's major supplier, with $58.8 million, followed by the United States with $58.6 million. Together, Britain and the United States captured 36 per cent of the market. Other leading exporters were Japan ($35.6 million), West Germany ($30.2 million) and Italy ($18.4 million).

Although Kuwait's imports fell from $350 million in 1963 to $347.7 million in 1964, a substantial upswing occurred during January-June 1965. Canada's exports in the first half of 1965 were $2.2 million compared with a little over a quarter of a million dollars in January-June 1964. For the full year 1964 they reached $934,000. Canada imports substantial quantities of Kuwaiti oil—$5.2 million in 1963 and $11.2 million in 1964.

Sales of Canadian automobiles totalled close to $1.2 million in the first half of 1965 compared with $336,600 for the entire year 1964. Douglas fir plywood, washing machines and tires also made interesting gains. Early in 1965, Canada shipped $134,000 worth of power boilers and parts and $35,000 worth of plastic materials; these we have not previously supplied in any great volume. A new volume item in 1965 was $562,000 worth of wheat for the Kuwait flour mills. In 1964, before the new mill was operating, our flour sales totalled $56,000.

TABLE I

CANADIAN EXPORTS TO KUWAIT

	(Can. $'000)
Jan.-Dec. 1964	
Passenger autos and chassis	337
Rubber fabricated materials	78
Wheat flour	56
Washing machines	36
Clock movements and parts	34
Douglas fir plywood	29
Jan.-June 1965	
Passenger automobiles and chassis	1,196
Wheat	561
Power boilers equipment and parts	163
Douglas fir plywood	63
Plastic basic shapes and forms n.e.s.	35
Washing machines	31
Passenger tires	52

The excellent performance of a Canadian consultant in a major town planning and development scheme has generated considerable interest in Canadian consulting engineers. Twenty-five Canadian consultants are registered with the Kuwait Government Planning Board. As consultants are needed, the Planning Board reviews the qualifications of the companies on its register and invites firms with appropriate experience to submit proposals. Canadian consultants should ensure that the Planning Board is kept up-to-date on their new activities.

Kuwait's economy will continue to expand during 1966, and Canadian exporters can increase their share of this important market. Importers there are eager to hear from Canadian companies. The Commercial Division of the Canadian Embassy in Beirut welcomes the opportunity to play matchmaker between active Kuwaiti importers and Canadian exporters.

BAHRAIN

Business Expands

WITH the most efficient port on the Gulf, Bahrain has traditionally been an entrepot for neighbouring areas. The State has a well-established banking system, a good network of internal and external communications, and an adequate power supply. The international airport is an important transit point for a number of airlines.

Oil accounts for 71 per cent of Bahrain's income and customs duties contribute about 24 per cent. The country is the smallest oil producer in the Gulf, with an average of 2.3 million tons each year and petroleum revenues of about $17 million. The Bahrain Petroleum Company (registered in Canada and owned equally by Standard Oil and Texaco) contributes $13 million to the economy in local purchases, contracts and wages. It is expected that revenues will go up appreciably when an offshore field shared with Saudi Arabia is brought into production this year.

Bahrain is now in the midst of a construction boom. Additional hospitals, a government office complex, a television station and several new hotels are contemplated. A medium-sized department store should be open by the middle of this year and western-style supermarkets are springing up. One quarter of the population is being rehoused in a new town —Sheikh Isa town. This project contains 2,500 homes and two similar-sized towns are planned for the next five years.

The industrial zone attached to the free transit area of the port is expanding rapidly. After fifteen months of operation, an Anglo-U.S. fabrication plant has obtained a number of important contracts for the manufacture of well-head structures for offshore oil fields. A ship repair company and an engineering organization have also rented areas in the industrial zone. The Bahrain Government offers advantageous terms to overseas companies wishing to set up manufacturing enterprises in the zone.

Total imports in 1964 were valued at $84 million; 30 per cent of imports were re-exported. Britain is the main supplier, with 25 per cent of the market, followed by the United States, Japan and India.

Canada's exports for 1963 reached $162,000, in 1964 $151,000, and for the first half of 1965, $83,000. Automobiles accounted for approximately two thirds of Canadian shipments in 1964 ($97,000). Other major Canadian exports were clocks, jewellery, and automotive spare parts. Canadian air-conditioning equipment made its first appearance during the first half of 1965.

Although it has a small population, Bahrain merits close attention. Prospects for an expansion of economic activity are good and through a long-established entrepot trade, Bahrain merchants should have a sig-

TABLE II

BAHRAIN'S TEN PRINCIPAL IMPORTS, 1964

	(Can. $ million)
Household goods	12.8
Provisions	7.8
Machinery, parts and oil well supplies	8.7
Wearing apparel	5.0
Hardware and cutlery	3.6
Silk and silk piecegoods	3.5
Rice	3.1
Cotton piecegoods	3.0
Vehicles	2.9
Fresh fruits and vegetables	2.7

nificant share of the growing business in neighbouring states.

QATAR
Seventeen Years of Progress

SINCE 1949, when substantial oil exports began, Qatar has made considerable progress. Development spending has been channelled toward power, water supply (distillation plants and wells), road-building, a $10 million general hospital, free health services, education, government buildings and a new airport. Projects now in the planning stages include a fish processing factory, a cement plant, land reclamation and agricultural development, and a petrochemicals industry.

This progress has been accompanied by the growth of domestic and international trade and building, generated by local purchases and contracts with the oil companies.

Oil is the main source of income, with revenues of approximately $66 million a year. The Qatar Petroleum Company (owned by IPC) and Shell have producing wells on and off shore. Shell's recent discoveries may add an extra $18 million in royalties by the end of this year. Oil production reached 9 million metric tons in 1964 and 6.1 million in the first eight months of 1965.

Imports during 1964 amounted to about $30.3 million against $24 million in 1963. Qatar is, after Kuwait, Canada's most important market in the Gulf. Canadian exports in 1964 were valued at $278,538, and for the first six months of 1965 at $279,281. Automobiles accounted for most of this figure. During the first half of 1965 a shipment of just over $100,000 worth of iron pipe from Canada arrived at the port of Doha.

Canadian air-conditioning equipment also appeared in Qatar last year. In 1963, Canada purchased $8.6 million of oil from Qatar and in 1964, $2.2 million.

TABLE III

QATAR'S PRINCIPAL IMPORTS (1963)

	(Can. $ million)
Petroleum products	2.4
Building materials, including cement	2.1
Motor vehicles	1.8
Fresh fruits and vegetables	1.8
Furniture	1.7
Rice	1.2
Wheat flour	0.8
Machinery	0.8
Canned foods	0.8
Cigarettes	0.8
Air conditioning machinery	0.7
Ready-made clothing	0.7

THE TRUCIAL STATES
Progress Is Quickening

THE seven Trucial States are becoming more prosperous because of expanding oil production in Abu Dhabi and the hope of oil strikes in Dubai and other areas.

About half of the 115,000 residents of the Trucial States live in Dubai, the principal port in this region of the Gulf. The market is much larger than population figures indicate because the trading hinterland includes Oman, parts of Saudi Arabia, and southern Iran.

There is no industry throughout the area other than Abu Dhabi's oil production, but Dubai is the centre of a flourishing entrepot trade. Three years ago the town of Dubai had no modern buildings or surfaced roads and only one bank. It now has two new banks, several modern apartment buildings, 50 miles of paved roads, and three first class hotels. A 9,200-foot jet runway has just been completed and tenders will shortly be called for the expansion of port facilities. The Government also plans to build additional hospitals and a new marketplace and to extend the street lighting system. Almost all development projects have been financed on credit stimulated by the anticipation of an oil discovery.

TABLE IV

DUBAI'S FIVE PRINCIPAL IMPORTS* 1964

	(Can. $ million)
Foodstuffs	9.9
Wearing apparel (includes textiles, readymade garments, footwear, hosiery)	9.6
Household goods (watches, cigarettes, plastic items, furniture, etc.)	9.4
Machinery (cars, trucks, spare parts, tires, diesel engines, generators)	6.9
Building materials (cement, reinforcing bars, timber, pipes, hardware)	5.6

*Excluding gold.

Dubai is the headquarters for the British-backed Trucial States Development Board. Although Britain bears the major share of financing for this organization, Kuwait, Bahrain, Qatar, and Abu Dhabi also contribute sizable sums of capital. The TSDB is encouraging health projects, schools, agricultural activities, and, in general, schemes to raise living standards.

Abu Dhabi is the wealthiest of the Trucial States because of fairly recent large oil discoveries. This state, with a population estimated at 20,000, is expected to earn revenues well in excess of $100 million by 1980. Development has been slow because the Ruler insists on examining development proposals thoroughly to ensure that his subjects will receive optimum long-term benefits. In the past few years, Abu Dhabi town has been fully electrified, a water distillation plant has been built, and a recently constructed pipeline carries adequate water from the interior of the state. A Canadian consultant is designing an airport and a bridge to connect Abu Dhabi town with the mainland. British consultants are drawing up specifications for a new port, a network of roads and town planning. Tenders for implementing these projects should be called this year.

Abu Dhabi oil production is soaring. Provisional statistics indicate that 8.6 million tons were produced in the first eight months of 1965 compared with nine million for the entire year of 1964. A new offshore oilfield in the Gulf is being brought into production by Abu Dhabi Marine Areas Ltd. In addition, exports from the new field at Zakum, about 80 kilometers from Abu Dhabi, will start towards the end of 1967. Capacity of this field is estimated at 8.4 million tons per year.

Imports into the Trucial States rose to $47 million in 1964, 70 per cent higher than in the previous year. Britain, Japan and India are the major suppliers. The latest statistics indicate that Dubai bought $29 million worth of goods during the first half of 1965 against $22 million for the same period in 1964.

MUSCAT and OMAN
Oil Production Starting

A promising oil discovery by an affiliate of the Shell Oil Company will bring about major changes in the desolate landscape of the Sultanate of Muscat and Oman. Oil production will start in 1967 at a rate of six to seven million tons a year.

The economy of Muscat and Oman today depends mainly on fishing, agriculture, and British aid. The chief exports are dates, fresh and dried limes, hides and skins, and dried fish. Exports are estimated to total $3.8 to $4.8 million and imports $9 to $12 million each year. The principal goods purchased from abroad are rice, wheat, flour, coffee, tea, sugar and cotton piecegoods.

Financing for the development program is shared by the British and the Sultanate and the money is being used for harbour improvements, road-building and agricultural projects.

The population of this 85,000-square-mile state is estimated at three quarters of a million. There is little likelihood of Canadian exporters doing appreciable business in the immediate future. However, the prospect of increased revenues which may raise living standards should encourage enterprising exporters to take a second look. ●

The Gulf Welcomes Canadian Exporters

Want to do more business in the Gulf States? Head east and try personal selling—and haggling—with their Arab businessmen.

VICTOR G. LOTTO, *Assistant Commercial Secretary, Beirut.*

WASHING MACHINES are one of Canada's fastest rising exports to Kuwait. The reason—high quality products at good prices. But there's another reason also—two Canadian exporters who enjoy a good share of this business visited the area in the past year. Kuwait was a three-day stop on the itineraries of both, and each stepped up shipments by at least 15 per cent. These Canadian companies had previously been in touch with their agents only by correspondence but soon realized the importance of personal contact in the Middle East. They intend to travel to this part of the world at least once every two years. In all probability, their agents will also go to Canada this year.

Where they used to address their agents as "Dear Sir" or "Dear Mr. Mohamed", letters now begin with "Dear Ahmad" and the replies go to "Dear Joe" rather than to "Dear Mr. Jones". An Arab businessman prefers this personal touch and you can only achieve it by spending some time with him in his country.

One Canadian exporter never knew the extent of his agent's operations. He had to see the company, call on clients, and learn through firsthand experience how cut-throat competition can be in the Middle East. As a result, he gave the agent slight price concessions plus credit terms to replace the traditional letter of credit employed for a number of years.

"If I had visited this area regularly since I started doing business here, my sales would be up about 700 per cent," remarked one of the Canadian visitors.

Plan Visit This Year

There is no substitute for a face-to-face discussion. Price haggling has always been a part of the Arab merchant's way of life and a solid bargaining session is impossible via airmail.

The Gulf is a region that Canadian businessmen visit infrequently. It probably still has that primitive aura that surrounded it twenty or thirty years ago—but times have changed. Canadian exporters can jet from Montreal to Kuwait overnight and flight connections are excellent throughout all the states in the area. Hotel accommodation is comparable with many first class Canadian hotels.

We do not recommend that all Canadian exporters catch the next plane to the Gulf. However, we strongly recommend that Canadian companies already doing business there explore the feasibility of calling on their buying connections or agents this year. The Gulf is enjoying prosperous times. Your competitors arrive in Kuwait, Bahrain and Qatar every month.

Travelling through the Gulf, I have met scores of British, American, West German and Japanese businessmen. I have seen only two Canadians—a consulting engineer in Abu Dhabi and in Qatar the representative of an air-conditioning company who appointed a chain of representatives and boosted his sales appreciably.

In most of these countries, a local contact or sponsor is essential to obtain an entry visa. Visits must therefore be arranged well in advance. The Commercial Division of the Canadian Embassy in Beirut can usually arrange visa sponsorship through contacts in the Gulf, but needs a good period of notice.

Companies which have not explored this market are urged to write to the Beirut office, enclosing brochures and prices. We will be pleased to prepare preliminary market surveys, suggest appropriate active agents, and recommend a visit to the area should prospects be encouraging.

The business pace is much slower than in Canada and the itinerary should be flexible. There is little point in travelling this far unless you are prepared to spend adequate time with agents. You may even have to hire more people for your export department just to handle extra business realized from a trip to the region.

The following hints may help you to plan your itinerary.

● *Travel Documents*—Kuwait requires a business or tourist visa, obtainable from any Kuwait consulate or embassy on presentation of a letter from your firm stating the purpose of the trip. A temporary or tourist visa valid for 30 days may be granted without a letter.

For other Gulf States, the British High Commissioner in Ottawa or other British Embassies will provide visas only if authorization is received from the countries concerned. Because this may take some time to obtain, trips should be planned well in advance. Businessmen planning to visit Iran should ensure with the visa-issuing authority that they possess appropriate passport documents. Iranian Consuls will not issue visas for Iran for persons who have Bahraini visas in their passports, and vice versa.

Vaccination against smallpox is required and tetanus and typhoid inoculations are recommended. Other inoculations, especially against cholera, may be required from time to time.

● *Choosing the Time*—Temperatures are in the 45 to 70 degree F. range from November until April. Business slows down considerably during the Moslem fasting month of Ramadan and Ramadan will start about December 14, 1966, and end about January 14, 1967. During that month, Moslems fast between sunrise and sunset. The consumption of food, drink and tobacco is prohibited; restaurants are closed but special facilities are available for Christian visitors. Government departments work short hours. The month closes with a three to four day holiday. (Holidays for this area are included in the box feature on page 9 of this issue.)

● *Business Hours*—Business hours in all Gulf States generally are:

Winter—8 a.m.-12 m., 3 p.m.-6 p.m.

Summer—8 a.m.-12 m., 4 p.m.-6.30 p.m.

Ramadan—8 a.m.-11 a.m.

Official summer hours at government offices are from 6.30 a.m. to 12.30 p.m. except Thursdays, when offices close at 10.30.

● *Travel Routes*—BOAC has regular services to Kuwait, Bahrain and Qatar. Kuwait Airlines, Middle East Airlines and a few other international carriers operate to Kuwait and Bahrain. The Gulf Aviation company flies to Kuwait, Bahrain, Qatar, Abu Dhabi, Dubai, Sharjah and Muscat. It is advisable to reconfirm onward bookings on arrival in all Gulf cities, even if you hold a valid ticket.

● *Hotels*—There is comfortable accommodation in nearly all countries in this area, but the visitor should make sure that he holds confirmation of his reservations. An air-conditioned room should be specified during summer months. Hotel rates increase by about 15 to 20 per cent during the air-conditioning season.

The quality of the food is good, but alcoholic beverages are prohibited in all states except Bahrain and Abu Dhabi. Visitors should be wary of fresh salads, eat only peeled fruit, and drink bottled mineral water.

Kuwait: Prices range from $12 to $26 per day, including service. Recommended hotels:

The Carlton, Fahad Street

The Golden Beach, Arabian Gulf Street

The Bristol, Fahad Street

The Phoenicia, Fahad Street

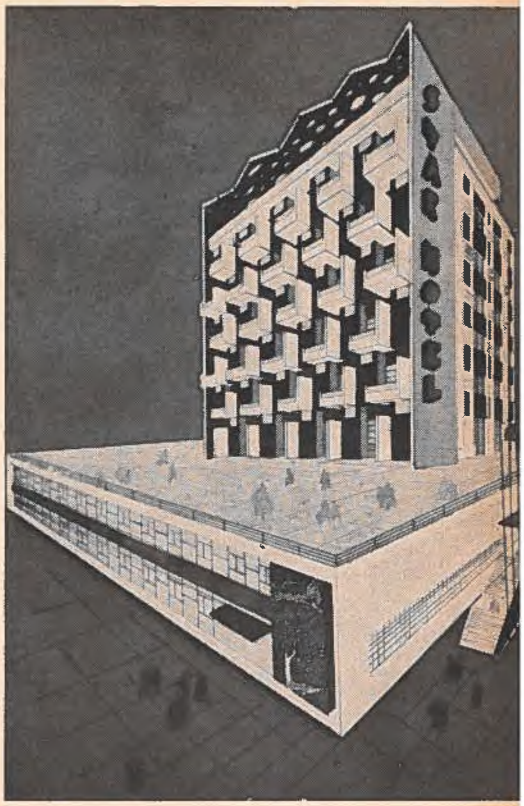
A Sheraton and a Hilton hotel should open during the course of 1966.

Bahrain: Prices range from $14 to about $24 per day, including full board and service. Recommended hotels:

The Gulf Aviation Co., Ltd. Rest House

The Bahrain Hotel

A new hotel, the Star, should open within the next three months and BOAC has plans for an hotel.



This is an architect's drawing of the 100-room Star Hotel, which will shortly open in Bahrain. Mezzanine will contain supermarket and department store.

Qatar: Prices are from $16 to $25 per day, including food and service. Recommended: Doha Palace Hotel. Accommodation can be arranged direct or through the hotel's British office, 47 Kings Way, London, W.C.2.

Abu Dbabi: First class accommodation exists at only one hotel, The Beach, and rates are about $35 per day for full board.

Dubai and Sharjah: The Oasis and Carlton Hotels are recommended. Rates are from $16 to $25 per day including meals. The state of Sharjah is about an hour's drive from Dubai and commuting is no problem. Accommodation in Sharjah, if desired, is provided by International Aeradio Ltd., Sharjah airport, at its guest house, The Fort.

Muscat and Oman: There are no hotels in Muscat. Accommodation must be arranged with merchants and visas will not be granted unless accommodation is settled. Food and lodging expenses are arranged with the host.

●*Language*—Arabic is the principal language of the region, but English is widely spoken by most merchants. If they do not understand English, they usually have an interpreter on their staff.

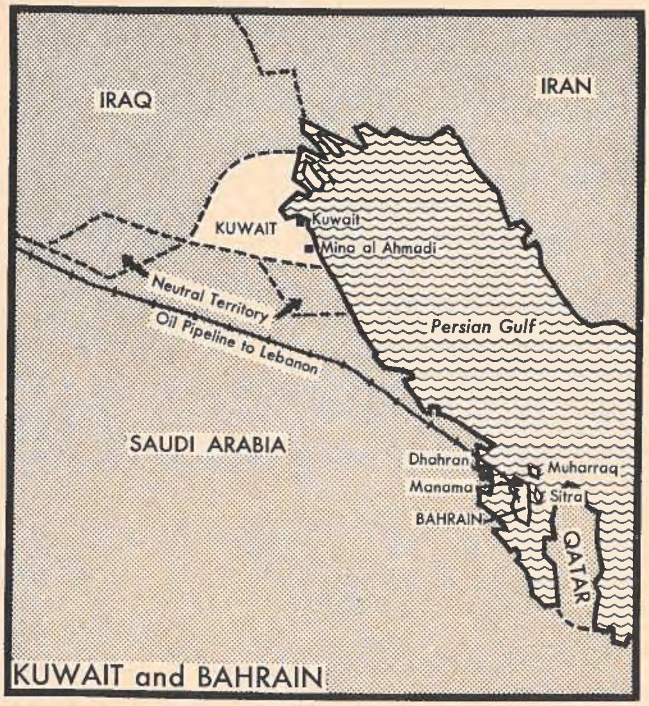
●*Currency*—The Gulf States are in the sterling area. In Kuwait, the unit of currency is the Kuwaiti dinar, which equals one pound sterling. Bahrain has the Bahraini dinar; one dinar equals Can.$2.28. Qatar and the Trucial States use the Gulf rupee; one rupee equals 23 cents Canadian.

●*Dress*—A business suit should be worn for calls on larger business firms, oil companies and government officials.

●*Local Customs*—Business interviews are usually preceded by several minutes of small talk over arabic coffee or a soft drink. The subjects to be avoided are Middle Eastern politics and the family life of the person being interviewed. Arab merchants feel it is impolite to keep friends and business callers waiting in an outer office. Thus several other businessmen

may be present during your conversation.

The Gulf Arab is extremely hospitable and will insist on looking after you. However, you may be able to persuade your contact to have tea or a meal at your hotel. If invited to an Arab home, do not admire your host's possessions enthusiastically. Many Western businessmen who have forgotten this advice have had the admired object, no matter how valuable, given to them. One way to reciprocate hospitality is to send a typically Canadian gift to your host. The personal touch is important. Local merchants resent sub-agencies and prefer to deal directly with a manufacturer.



●*Brochures*—A good supply of illustrated brochures and calling cards is essential. Arrangements can be made in most cities to have your name and title printed in Arabic on the reverse side of your calling card at reasonable cost.

●*Taxis*—Metered taxis are unknown in this part of the world. To avoid drawn-out bargaining sessions with a taxi-driver, have the hotel clerk haggle for the price. The clerk can also give directions to the driver about your destination. However, many of the hotels frequented by Western businessmen employ taxi-drivers with some knowledge of English. If you have a number of calls to make, it is usually more economical to rent the car and driver for the day. A tip is not expected.●

Saudi Arabia Moves Ahead

I. V. MACDONALD,
Commercial Counsellor, Beirut.

OIL has brought prosperity to Saudi Arabia and will ensure increasing affluence for years to come. Nevertheless the Saudi Government has wisely decided to lessen dependence on this single source of income. To reach this goal, it is embarking on a program of industrial diversification accompanied by extensive civil engineering projects, all of which offer excellent opportunities for Canadian equipment and services. Petroleum revenue, in the meantime, continues to expand and is more than adequate to finance the growth of domestic investment and consumption and the increasing imports.

The traditional Arabia still exists but a modern country is springing up, with its office and apartment buildings. The nomadic way of life is receding in importance as centres of trade and industry offer employment and greater income. However, cultural and religious traditions remain strong and should not be underestimated in assessing market prospects for specific products, projects and services.

Oil and Minerals

Although much of the country remains in the early stages of development (except for the oil industry) growth in Saudi Arabia during the past few years has generally been impressive. Gross national product has been rising at an annual rate of 10 per cent and indications are that this will be maintained; public investment during the past five years has been increasing 17 per cent a year and private investment about 28 per cent. Petroleum production has been expanding at about 10 per cent a year and revenues from this source during 1965 should amount to about $700 million, largely because of a substantial rise in Aramco production.

Saudi Arabia covers 830,000 square miles and consists of a large sedimentary basin and a precambrian shield area. This Arabian-Nubian Shield, which is bisected by the Red Sea, appears to offer good prospects for commercial mineral development. Discoveries have already been made in its African segment and more than 160 ancient mine sites show evidence of previous exploitation of gold, silver, copper, lead and zinc deposits. Finds of chromium, iron, tungsten, lithium, titanium, asbestos, manganese, talc, bauxite, and other minerals have been reported. There is provision for exploration and exploitation of Saudi Arabian minerals by foreign companies in the Mining Code, designed to establish a sound balance between public and private interest and to encourage development. Seismic surveys indicate the possibility of oil deposits along the west coast both onshore and offshore, and in areas surrendered earlier by the Arabian American Oil Company.

Transportation and Communications

Recognizing the importance of transportation and communications, the Saudi Arabian Government has embarked on a large road-building program and has already called for tenders for some parts of it. Construction of over 5,000 kilometres of new hard-surface roads is envisaged over the next five years. This constitutes the largest element of the Government's projects budget. The road program is intended to facilitate mineral and industrial output, agricultural production and marketing by making many areas more accessible and lowering transportation costs.

A contract with a Swedish company for 40,700 new telephone lines in principal cities will improve communications. Port development is under way, including a major expansion of facilities at Jeddah; feasibility studies have been completed and tenders will be called shortly.

International airports are located at Jeddah, Riyadh, and Dahran and smaller airports are located throughout the country. A railroad serves the eastern provinces, connecting Riyadh with Dahran.

Industrial Projects

Electric power production is expanding; the U.S. Department of the Interior is undertaking a preliminary survey of a combined power and seawater desalting project for Jeddah. Desalting water is particularly feasible in Saudi Arabia because of the large reserves of inexpensive fuel.

The major industrial project now under construction is the proposed petrochemical complex at Damman near the Gulf, which will have an authorized capital of $22 million. Its main products will be sulphur, ammonia and urea.

A modern construction industry has come into being. The chief manufactured product is cement, followed by cement blocks, bricks, tile, furniture and handicrafts. Exploration for underground water supplies is creating a demand for consulting services, drilling equipment and supplies, irrigation equipment and materials, and pumps.

Tenders will be awarded in the near future for construction of a flour mill at Damman and grain elevators at four locations.

A British company has received the contract to build a small steel rolling mill at Jeddah to make reinforcing bars from imported billets. An integrated steel industry is envisaged with the development of iron ore reserves and the expanding market. Tenders are to be called shortly for construction of a petroleum refinery, also at Jeddah.

Fisheries and Agriculture

Saudi Arabia's extensive coastline on the Red Sea and the Gulf and its

Earthmoving equipment like this, sbown operating in tbe city of Jeddah, is used extensively in Saudi Arabia's large road-building program. Plans call for over 5,000 kilometers of bard-surface roads to be built during tbe next five years. In tbe background, one of many construction projects tbat bave been made possible by new factories making cement blocks, bricks and tile.

proximity to the Indian Ocean mean good prospects for fisheries development, particularly shrimp, for which there are overseas markets. An Italian longliner in 1963 achieved a world record tuna catch of 90 per cent (241 fish on 270 hooks) and there are other reports of catches of 13 to 73 per cent, well above the world tuna average of 3 to 5 per cent. Soviet purse seiners have been operating in the Gulf of Aden assisted by oceanographic research ships.

Agricultural expansion is also planned and an investigation by consultants of surface and underground water resources for optimum use is now being made. Dates are the main agricultural product but output is not sufficient to meet the demands of nomads and imports are made from neighboring Iraq. Other important crops are sorghum, wheat, coffee, rice, fruits, and vegetables. Shortages of water and of arable land and lack of transportation facilities and equipment have limited agricultural production.

Foreign Investment Welcomed

In February 1964, the Government established incentives for the investment of foreign capital in Saudi Arabia which provided certain advantages for industrial projects as distinct from petroleum and mining. The Ministry of Commerce and Industry established a committee for the promotion of foreign capital and investment which will advise prospective investors whether a proposed project qualifies under the "Regulations for the Protection and Encouragement of National Industries". A qualified enterprise is exempt from income and corporate taxes for a period of five years from the start of production; this exemption is subject to the stipulation that not less than 25 per cent of the total capital be Saudi Arabian. Full details are available from the Foreign Capital and Investment Office, Ministry of Commerce and Industry, Riyadh.

The earnings derived from oil have resulted in a high rate of saving (estimated at one-third of the national income) giving a very large potential for domestic investment growth. Traditionally a large proportion of Saudi savings has been placed abroad but the local investment and real estate boom has probably diverted much of this flow to domestic projects from which attractive returns can be obtained.

Foreign Trade Expanding

The growth of Saudi Arabia's foreign trade during the past few decades has few parallels. In 1938 imports totalled an estimated $15 million. In 1964 they had risen to $350 million, an increase of over 2,000 per cent. Main suppliers were the United States $89.2 million, Britain $38.9 million, Japan $38.2 million, and West Germany $29.4 million. Largest gains in the Saudi Arabian market during 1964 were made by West Germany, Italy, Japan and Britain. Grains and foodstuffs are the largest imports, followed by motor vehicles, machinery and appliances, textiles and clothing, and building materials. Saudi Arabia gives other Arab States tariff preferences and subsidizes imports of grain, rice, sugar and drugs. During 1964 imports of machinery and appliances almost doubled; motor vehicle imports increased by 70 per cent and building materials by 54 per cent, a reflection of the general growth in economic activity.

Exports from Saudi Arabia have gone up even faster than imports and now exceed $1 billion—mainly oil. About 3 per cent of production is exported to Canada, about 6 per cent to the United States, 30 per cent to Western Europe, 25 per cent to Asia and the remainder chiefly to the Middle East and Africa. Saudi Arabia is second only to Venezuela as a supplier of crude oil to Canada. Oil production in 1964 increased to 694 million barrels (481 million in 1960) divided as follows: Aramco 628 million, the Arabian Oil Company 32 million, and Getty Oil Company 34 million.

The Kingdom is strong financially, maintaining a balanced budget despite heavy government expenditures on economic development. Gold and foreign exchange holdings increased by 22 per cent to $700 million in 1965. The Government has no debt, domestic or foreign, and prices have remained relatively stable.

TABLE I

SAUDI ARABIA'S FOREIGN TRADE

May 24, 1963 to May 11, 1964

Country Groups	Imports from	Exports to Oil	Exports to Other
	(millions of Can. $)		
U.S. and Canada	79	129	2
Latin America	0.1	82	....
European Common Market	65	316	0.8
EFTA countries	34	54	34
Other Western European	2.4	63	....
Eastern Europe	4.8	....	....
Arab African	10.6	24	2.4
Other African	16	19	0.3
Arab Asiatic	56	145	35
Other Asiatic	53	307	2.5
Australia and New Zealand	4.1	47	....
Other countries	....	85	....
Total	**325**	**1,271**	**77***

*Includes banknotes $67 million.

Note: From 1960 to 1964, Saudi Arabia's imports increased by 9 to 10 per cent a year.

TABLE II

CANADIAN EXPORTS TO SAUDI ARABIA

	1963	1964	9 mos. 1965
	(Can. $'000)		
Total exports	**3,500**	**3,130**	**3,540**
Of which:			
Barley	45	....	....
Seed wheat	505	752	910
Wheat	1,606	806	784
Pipes	....	130	148
Automobiles	928	579	481
Commercial communications equipment	....	....	329
TV sets	....	216	166
Clocks and parts	59	88	67
Components for communications equipment	....	3.9	122
Washing machines	54	78	76
Aircraft	65	....	....
Aircraft engines and parts	21	30	23
Aircraft assemblies and parts	17	6.5	18
Tires	1.9	35	36
Antibiotics	....	....	36

Despite its large and growing income and vast area, the population of Saudi Arabia remains small—estimates range from three to six million—and individual incomes are still low by Western standards. However, development projects presently under way or planned, together with welfare and fiscal policies, are resulting in a large-scale redistribution of income which should greatly increase demand for consumer goods and services. Saudi Arabia encourages the growth of private enterprise, both domestic and foreign.

Many small commercial establishments have grown up in recent years. The Arabian American Oil Co. (Aramco) now relies to a large extent on local suppliers; its purchases in Saudi Arabia in 1964 amounted to $28 million. The company also maintains purchasing offices in New York.

Trade with Canada

Canada's current exports to Saudi Arabia include, in order of importance: wheat, automobiles, consulting engineering services, communications equipment, pipes, TV sets, washing machines, and antibiotics. Inquiries have been received recently for the following additional Canadian products: roadbuilding equipment, prefabricated housing, fish, textiles, barley, cement, newsprint, lumber, patrol boats, agricultural implements, veterinary equipment, refrigerators, freezers, medical therapy equipment, jams, deep well pumps. Various professional consulting services and joint manufacturing and fishing ventures are also in demand.

Canadian penetration of this growing market to date has been limited, partly because of competition from Europe, Australia, and Japan, but with greater initiative and direct sales effort by Canadian companies, the results would improve. This is already beginning to change. A Canadian firm recently obtained a major consulting contract and automobile sales are going up rapidly.

There are excellent opportunities for consulting services in many fields and the Saudi Arabian Government is determined to obtain the best possible advice on and supervision of its development plans and projects. There are also opportunities for employment of individual specialists and technicians within Saudi Government departments—a useful means of co-operation. Most goods may be imported into Saudi Arabia free from import or exchange restrictions. Certain imports, however, are prohibited, including alcoholic beverages and food products considered injurious to health. Shipments require a certificate of origin and complete documentation. On consumer goods, it is a distinct advantage to have labels, operating instructions, and directions for maintenance printed in Arabic.

The best prospects probably are for selling food-freezing equipment, domestic appliances, grains and bulk foodstuffs, pharmaceuticals, motor vehicles and parts, roadbuilding equipment, poultry supplies and equipment, and traffic control equipment.

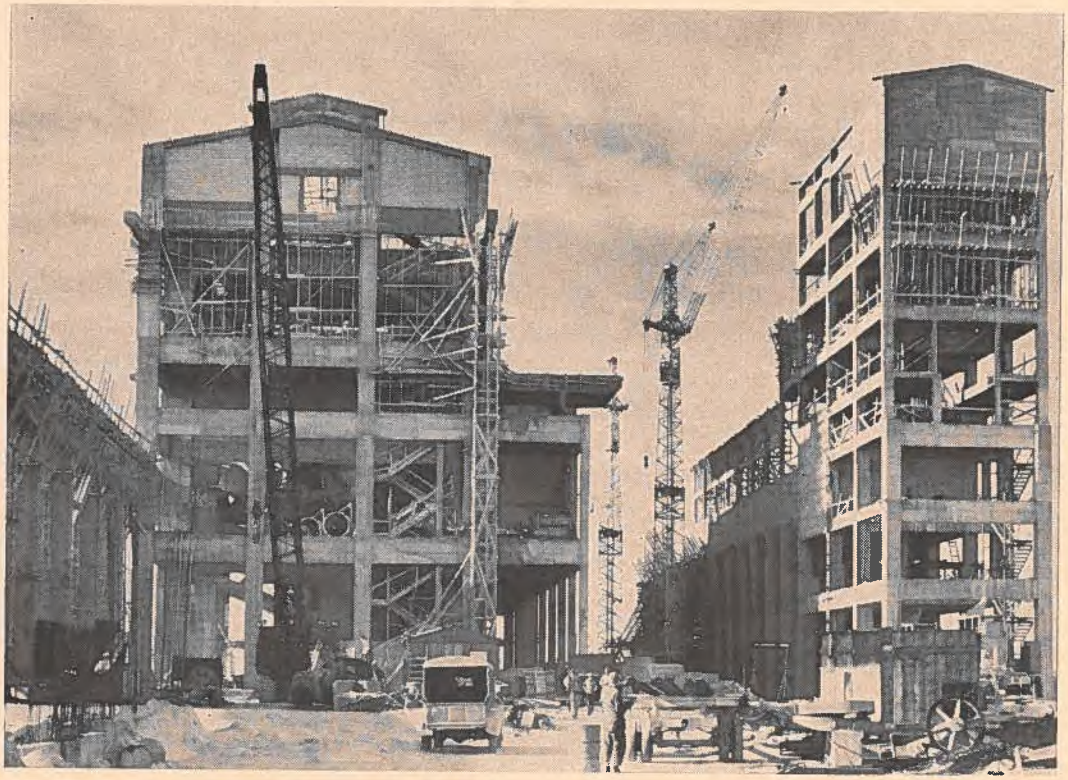
Personal visits (entry and exit visas are required) are practically a must to develop trade adequately in Saudi Arabia, and the exporter should secure representatives in Riyadh, Jeddah and Dammam for full coverage. These agents must be residents of Saudi Arabia and prepared to offer servicing when needed. The Canadian supplier must also offer the lowest possible prices and attractive credit terms to reputable customers, give attention to small orders, and modify the product to meet local conditions.

Canadian exporters, contractors and consulting engineers are now taking an active interest in Saudi Arabia's many economic attractions. This interest is being reciprocated by Saudi businessmen and officials, who see in Canada a congenial and reliable trading partner with mining and industrial experience.

Whether the potential benefits of this goodwill can be fully realized will depend largely on the enterprise of Canadian companies, particularly in sending representatives to Saudi Arabia and establishing personal contacts with prospective agents, importers, and government officials.

Lumber succeeds wheat as leading export

Israel Offers Well-Managed Market



The pace of building in cities like Tel Aviv has kept pace with the expanding Israeli economy.

B. C. STEERS,
Commercial Secretary, Tel Aviv.

THE ECONOMY OF ISRAEL has been booming for so long that this has been accepted as normal. Constant expansion is expected and one reads only about the rate of increase in it. For example, the economy slowed down slightly in 1965. What does this mean? It means that industrial production rose 9 per cent instead of the 13 per cent of 1964; agricultural output went up by 7 per cent instead of 19 per cent as in 1964. Over-all investment dipped from the high level of U.S.$970 million to U.S.$935 million—still high. The gross national product went up in real terms some 9 per cent, 1½ per cent down from the previous year, to an estimated U.S.$3.6 billion—a remarkable figure for a country with a population of only 2½ million and with few natural resources. Israelis expressed some disappointment at this 9 per cent increase; they have been accustomed to 10 per cent for the last decade. But the Israeli Minister of Finance predicts this slowdown will continue through 1966.

Balance of Trade Improves

Provisional figures indicate an improved foreign trade picture. Imports of goods stood firm at U.S.$790 million and exports of goods rose from U.S.$350 million to U.S.$405 million. The trade deficit therefore dropped from U.S.$440 million to U.S.$385.5 million. Service imports, at U.S.$445

TABLE I

ISRAEL'S TRADE BALANCE

Period	Imports	Exports	Trade deficit
		(U.S. $million)	
1949	253.1	28.6	224.5
1951	379.8	44.8	335.0
1953	281.9	56.3	225.6
1955	333.6	88.9	244.7
1957	432.1	140.8	291.3
1959	426.5	176.5	250.0
1961	574.2	238.5	335.7
1963	649.3	336.0	313.3

Source: Israel Central Bureau of Statistics.

National Holidays in Israel in 1966

April 5—First day of Passover

April 11—Final day of Passover

April 5-11—Week of Passover (half-days)

April 25—Independence Day

May 25—Shavuot

Sept. 15-16—Rosh Hashana (Jewish New Year)

Sept. 24—Yom Kippur (Day of Atonement)

Sept. 29—Succoth

Oct. 6—Simchat Tora

Sept. 29-Oct. 6—(half days)

Note: Days vary each year in our calendar, because they are fixed by the Jewish calendar. Work week is Sunday to Friday noon, inclusive. The Embassy is closed on Sunday.

million, exceeded exports by U.S.$100 million, resulting in a widening of the service import gap by U.S.$15 million. (See Table I.)

Despite this deficit—a constant feature of Israel's foreign trade over the years—the country is not facing any balance-of-payments difficulties. Foreign exchange reserves in fact rose last year by a substantial U.S.$93 million to U.S.$700 million, or nearly equal to a year's imports of goods and services. The reason is partially that funds flow in from private investors. An early estimate of foreign investment for the year places it at U.S.$140 million. Unilateral transfers of capital to Israel in 1965 are expected to reach U.S.$320 million. These include gifts from friends of Israel abroad, German reparations and restitution. Other loans will probably total U.S.$100 million. The many attractions of the country brought in 300,000 tourists last year, a rise of 17.8 per cent over 1964.

In summary, Israel is financially well managed and strong and provides world traders with a substantial, healthy market able to pay for its needs. This alone justifies a careful examination by Canadian businessmen of the possibilities that it offers.

In 18 years, Israel has transformed itself from an agricultural into an industrial country, which now exports more than 1,800 different kinds of industrial products each year. During the first ten months of 1965, agricultural exports stood at U.S.$73 million and manufactured industrial goods at U.S.$128 million. The latter figure does not include diamonds, the largest single export; diamond exports for the first ten months of last year totalled U.S.$125 million. No diamonds are mined in Israel but the raw stones are imported, cut, polished, and re-exported. The famous Israeli citrus is the second largest export, then comes processed fruit.

Direction of Trade

Like Canadians, for Israelis in 1964 the United States was the largest source of imports and the largest single market. Britain ranked second as supplier and customer, although it was Israel's biggest market in 1963. Europe, however, is the dominant area in Israel's foreign trade; it takes 62.5 per cent of Israel's exports and provides 60.2 per cent of its imports. The United States, by contrast, supplied 24.3 per cent of imports and purchased 14 per cent of exports. Within Europe, more than 91 per cent of Israel's trade is carried on with the EFTA and EEC countries.

Sales Opportunities

Israel's imports are largely determined by the needs of its growing industry. The controls that determine which classes of products shall be admitted have in recent years been changing from administrative to fiscal. In other words, tariffs are gradually replacing import licences as

the decisive instrument of import policy. For those imports which have been liberalized or for which licences are granted automatically, the importer has considerably more latitude than in the past. Even so, imports of consumer goods have risen only from 8.8 to 9.8 per cent of total imports since 1960. High tariffs continue to protect most sectors of local industry and have effectively restricted purchases of competing imports. Imports of production goods, including machinery and raw materials, have fluctuated over that period between 66 per cent and 70 per cent of the total. Table II shows the distribution of imports among various classes of goods for the years 1963 and 1964.

Although there are certain exceptions, the Government continues to retain control of agricultural imports, including most grains, meat, prepared foods, vegetables and fruit, and has directed its policy of relaxing import restrictions mainly towards industrial and, to a lesser extent, consumer goods. The greatest opportunities for Canadian exporters lie in the sale of components, chemicals and other industrial materials.

Less Wheat Sold

Canadian exports to Israel in 1964 totalled $9.1 million. Although the final figures for 1965 are not yet available, they are not expected to reach the 1964 level. The largest single element in Canadian sales to Israel since the early days of the state has been wheat. Generally purchases total 40,000 metric tons a year, worth $2 million, but in some years the figure is higher or lower, largely depending on shipping. The Government of Israel imports all wheat into this country. During 1965 it did not buy in Canada until the end of the year and then purchased less than half the normal quantities. Since shipment was not made until 1966, this year's statistics will reflect the sale.

Other Exports

Among other Canadian agricultural products, last March the Israelis bought an $818,000 shipment of barley for animal feed. Tobacco, introduced two years ago, held its own, with sales of $75,000 by October, the latest statistics. Flaxseed sold to the local paint industry moved downward to $414,000 for the first ten months. Small quantities of frozen beef and food flavouring were bought for the first time.

TABLE II

ISRAEL IMPORTS THESE COMMODITIES*

Groups	Imports 1963	Imports 1964
	(U.S. $million)	
All commodities	**673.6**	**790.0**
Of which:		
Cereals and products	50.4	39.1
Sugar	11.8	18.5
Oilseeds	22.6	27.7
Wood	23.7	28.3
Textile fibres	17.9	23.8
Petroleum and products	44.7	46.6
Chemicals	36.1	42.1
Paper, paperboard and products	10.7	11.8
Yarn, fabrics and textile products	16.6	21.6
Diamonds, rough	100.2	117.3
Iron and steel	43.3	53.8
Machinery and apparatus, electrical	31.2	44.8
Machinery, non-electrical	84.6	87.5
Transport equipment (excluding ships and aircraft)	44.7	59.1
Ships and aircraft	16.4	59.9
Other commodities	118.7	108.1

*Israeli statistics.

Lumber, traditionally one of the four horsemen of Canadian exports to Israel (with wheat, asbestos and aluminum), replaced wheat during the first ten months of 1965 as Canada's leading export to Israel. Exports increased by 2½ times over the comparable figure for 1964 to $1,373,000. Last year also marked another change in Canadian lumber exports to Israel: Eastern Canada began to share with the West Coast in this increasingly lucrative trade. Wood pulp once again became a factor in Canadian business with Israel, with sales by October of $66,000. Israelis check Canadian prices with those of Scandinavia and buy in the cheaper market.

Asbestos exports were off 14 per cent to $651,000. Aluminum sales, which dipped in 1964, began climbing back as a result of sharper pricing and stood at $482,000 by October 1965. Exports of copper tubes and pipes, hampered by strikes, have declined but other metals—including nickel, cadmium, zinc and magnesium—have held their own or sold in larger amounts.

Israel's industry consumes a wide range of chemicals, used in plants ranging from textiles to steel. Salesmen from Canada visit this country regularly and the deep penetration of the market over the years has proved the value of their efforts.

Automotive parts have developed into one of the leading exports from Canada, at $557,000 for the first ten months of 1965. The Kaiser-Ilin plant in Haifa assembling Studebakers accounts for most of the business, but a growing volume of parts is sold through wholesalers, particularly in Tel Aviv. Agricultural machinery and parts, once a thriving element in Canada's business with Israel, have after many lean years improved marginally to $40,000.

Engineering Prospects

On Sunday morning, November 19, 1965, the S.S. *Vingeland,* a Swedish freighter, made Israeli history when it became the first freighter to dock at the new deepsea port of Ashdod, below Tel Aviv on the Mediterranean coast. Financed jointly by the World Bank and Israel, the work was done by U.S. consultants and a joint venture of Israeli and French contractors. Though this was one of the largest engineering jobs in Israel, there have been others of good size of interest to engineering firms. At the moment, Canadian, U.S., French and Swiss engineers are working on contracts in Israel—usually in a joint venture with local firms. If you want to share in potential business, one of the first steps is to register with the Department of Trade and Commerce so that the Mechanical Equipment and Engineering Division is aware of your specific experience and interests and can notify you immediately it hears of a potential opportunity. This procedure has developed business for others in the past and may well work for you.

In summary, trade prospects in Israel this year are good The market is relatively large and expanding and payment is quick and simple. The demand is largely for industrial materials but purchases of consumer goods are becoming more significant. Why not look into your chances of doing business?●

Canadian sales growing, but still small

Cyprus Presents Varied Needs

"One for me; one for the box" seems to be the order of the day as these girls pack grapes.

B. C. STEERS,
Commercial Secretary, Tel Aviv.

THE YEAR 1965 brought expansion of Canada's trade with Cyprus. Companies from various parts of Canada began to sell on the island for the first time and many that have been doing business there for years improved their position, even though Cyprus is distant and small. In fact, it is one of the world's smallest nations, a little larger than Prince Edward Island with a population totalling only 600,000.

Canadian relishes and pickles are on sale in the better grocery stores of Nicosia, Famagusta and Limassol, and even in the smaller communities. Butcher shops now carry Canadian filet mignon. Cypriot children, and probably their parents too, will soon be eating Canadian popcorn in front of their TV sets; many of the TV's are Canadian. Canadian plastic dishes are popular. Next Christmas, Canadian toys will be among those that Santa brings.

Although they are growing, Canada's sales are small compared with those of its competitors. Cypriot imports in 1964 totalled $113 million; provisional figures for 1965 indicate a total of $150 million. Britain continues to be the dominant supplier, with $40 million or 32 per cent of the total. The EEC countries have been increasing their share steadily and now have 30 per cent of the market; of this group, Italy leads with 35 per cent. Other important suppliers include East Germany, Japan and the U.S.S.R. Sales by the United States declined from $6 million in the first ten months of 1964 to $4.1 million in the same period of 1965.

Cyprus earns much of its living from the products of its farms and mines. The Island is ideally suited to citrus and its groves produce some of the finest oranges. Lush Cypriot grapes command good prices. Early potatoes and other vegetables rank with citrus and are sold largely in Britain and continental Europe.

It is not certain whether Cyprus was named after copper or copper after Cyprus. In any case, the two words are related and copper has been mined here throughout recorded history. Coins of Cypriot copper were used by the Egyptians, the Phoenicians and the Greeks, and provided the medium of exchange for the common purchases of Rome and its empire. Last year copper stood first among the minerals exported, followed by iron pyrites, asbestos and terra umbra.

Cyprus industry is not large but is developing, especially in textiles, footwear and food processing. Where local industry can meet the demand import duties are high.

Exports, however, do not meet the import bill. Exports were smaller in 1965 and this year are expected to cover only half the cost of imports. Tourism was developing rapidly during 1963 and bore the marks of a healthy new source of income but the civil disorders brought it to an abrupt end at the beginning of 1964. Only recently has there been any improvement. Local purchases by the UN Peace Force since its establishment have contributed to the balance of payments. Expenditures by the British forces in the manning of their sovereign bases are the major source of revenue after exports.

What Cyprus Buys

Manufactured goods make up 35 per cent of Cypriot imports, followed by food 22 per cent; machinery, cars and trucks 18 per cent; chemicals 9 per cent; fuel 9 per cent; and miscellaneous 7 per cent.

Manufactured goods—Textiles comprise 30 per cent of the manufactured goods imported, or about $3,023,000. Britain is the principal supplier but purchases are made all over the world. The United States, although not a large supplier, ships in almost every type of textile. A broad range of clothing is imported.

Base metals, at $1,825,000, rank second and as well as the various basic forms include pipes, wire castings and forgings. Manufactures of metal, at $1,325,000 (14 per cent of total), include netting, hand tools, rivets, cutlery, stoves and household utensils.

Forest product shipments reached $1,652,000. Imports of cement, plumbing fixtures, glass and pottery were valued at slightly less than $1 million and tires and tubes and leather at less than $500,000 each.

Food—Cyprus is not self-sufficient in meat, dairy products, fish, cereals or prepared food and the range of imports extends from Chinese precooked fried rice to milk.

Machinery, cars, trucks—Machinery covers all powered equipment, including generators and compressors, and motor or electrical appliances for domestic or industrial use. Sales of cars and trucks were dominated by British suppliers.

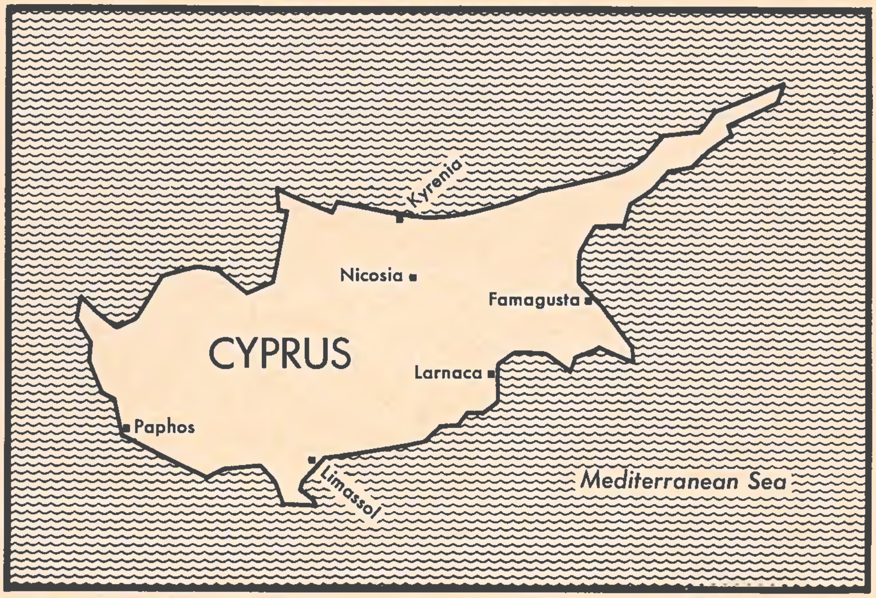
Canada Could Sell More

Canadian exports to Cyprus, according to DBS, rose to $206,743 in the first ten months of 1965 from $161,518 in the same period of 1964. For many years cars and trucks have led Canadian exports to this market. In the first ten months of 1965 they made up more than half our total sales. Canadian tobacco introduced three years ago has proved so popular that it is now our third most important export to the Island. Our other exports cover a wide range, from stoves to razor blades and baby chicks to salmon. Although no one item sells in large volume, each can bring repeat orders. Most Canadian suppliers feel that their sales efforts are well rewarded.

There are many reasons for our small sales, including lack of direct shipping service, distance, and the failure of Canadian producers to equal the sales efforts of their European counterparts. Although the market presents some difficulties, there are compensating factors that Canadian exporters should note:

- It does not cost much to follow the three essentials to successful selling—good pricing, good literature, and careful attention to correspondence.
- The trading community speaks English.
- Canadian packaging is suitable.
- Canadian weights and measures are understood.
- Canada enjoys a tariff preference.

Whatever you manufacture, a letter is all it takes to find out whether there is a place in the Cyprus market for you. A word of warning: the Cypriots are shrewd and price-conscious traders. Remember, though, that good Canadian packaging and quality are crucial factors. ●



Sales opportunities alter and broaden as

Iran Plans Important Projects

W. GIBSON-SMITH,
Commercial Counsellor, Tehran.

THE MIDDLE EAST remains the world's largest exporter of petroleum and Iran is now one of the big three in this area. Some 75 per cent of its foreign exchange earnings comes from oil production, which continues to rise more rapidly than in the rival countries in the area. Iran is now recognized as one of the more knowledgeable developing countries in the petroleum field. The Government's National Iranian Oil Company, in addition to refining for and supplying the domestic market, now carries out a variety of services for the petroleum industry, including the Consortium (Iranian Oil Operating Companies) of foreign-based oil companies. This consortium accounts for the lion's share of production from its long-standing concessions and recently, as a result of international negotiations conducted by the Organization of Petroleum Exporting Countries, agreed to give Iran a higher return for oil marketed. The NIOC has for some time been awarding exploitation rights for the remaining areas (chiefly offshore in the Gulf) to contenders of its own choice.

Industry Expanding

For some 11 years before 1965 Iran's industry was developing from a rudimentary base of little more than textiles, sugar and cement in 1953 (in addition, naturally, to petroleum). By 1964 a much more comprehensive range of products was being manufactured, including:

Transistor radios
Television receivers
Refrigerators
Gas stoves
Heating stoves (Aladdin, etc.)
Gramophones
Shoes (leather)
Footgear (plastic, rubber, canvas)
Serviettes (paper)
Knives, forks, spoons
Enamelware
Office equipment
Paints
Biscuits
Chocolates
Fabrics
Socks
Underwear
Alcoholic drinks
Canned foods
Plastic goods, etc.
Tires
Pharmaceuticals (50 per cent of needs)
Autos and buses
Fertilizers

Vehicle production, not surprisingly, still consisted largely of assembly operations, but the Government has in the last two or three years been making arrangements with foreign manufacturers to carry out most of the actual manufacturing within Iran. The authorities have been demanding joint venture arrangements, with the Iranian Government and/or private Iranian capital holding at least 50 per cent of the investment. They have been interested recently in producing locally thermos flasks (not made of glass), and pumps of various sizes and for different purposes to use local grey cast iron. A sheet glass plant was recently approved and an aluminum smelter is planned.

Customs protection, in some instances to the exclusion of all imports, is offered to manufacturers. With an eye on export opportunities, however, warnings are issued that protection may be withdrawn if prices of the finished articles seem too high or if the quality is inadequate.

Iran has emerged during the last year or two from an extended recession that resulted in a lack of confidence on the part of the local business community. The Mining and Industrial Development Bank, which has received substantial foreign capital, has helped to develop and finance new projects. A Commercial Code

The National Iranian Oil Company's new high-rise building is probably the most handsome in Tehran. It is located on the same street as the Canadian Embassy.

now being drawn up, expected auditing requirements, and a local stock exchange are intended to get local capital moving into development projects on a larger scale.

Important Projects Mooted

Two agreements which were concluded at the turn of the year are particularly important for Iran's development. These are:

1. A $100 million joint venture between the National Iranian Oil Company and the Allied Chemical Company of the United States to create a petrochemical complex which will produce ammonia and urea, mixed fertilizers, sulphur, plastics and detergents. (Further petrochemical manufacturing arrangements with outside firms are expected.)

2. An agreement signed on January 13, 1966, between the Iranian and U.S.S.R. Governments to create a steel industry near Isfahan and a machine tool works, with the necessary infrastructure of a new dam and railway. Initial steel production will be from 500,000 to 600,000 metric tons, enough to supply structural and less specialized steel to meet expected Iranian requirements in 1971. Total steel tonnage is planned to rise within a few years to 1.2 million metric tons, a figure Canada reached only in the Second World War. The machine tool works based on this mill plans an initial production of 30,000 tons, ranging from sugar and cement mill machinery to girders and small cranes.

Gas for the Soviet

The Soviet Union is extending for this mill a $286 million credit over 12 years at 2½ per cent, but repayment is to be in the form of Iranian natural gas. A 42-inch to 48-inch pipeline will be built for this (international tender expected), as part of the deal, from the southwest via Tehran to the Soviet border west of the Caspian Sea. This pipeline will be able to deliver gas to the industrial complex concentrated around Tehran and avoid the need to build this section of a gas pipeline for domestic needs. Nearly all the enormous outflow of natural gas in this country has merely been burned and wasted; now two-thirds of it has an assured export market.

Mining Only Starting

In mining, there has been no parallel surge forward and relative stagnation has resulted from poor internal transport and lack of venture capital. Iran is seeking joint ventures in co-operation with foreign exploration teams to find and prove up minerals and advise on suitable methods of mining them in various parts of this large country. Ores already known which have been exploited in a small way from time to time include:

Coal
Lead
Chromite
Copper (partly worked)
Salt
Red oxide
Iron ore
Gold
Borite
Maquisite
Natural cement
Zinc
Borates (not worked)
Fluorite "
Manganese "
Ochre "

Two multi-million dollar projects have been proposed and accepted:

1. American Metal Climax is to develop lead and zinc in the north-west.

2. Rio Tinto (UK) is to explore various areas.

The Iranian Plan Organization is looking for additional offers of services of competent outside prospecting companies.

Foreign Aid

Iran has obtained numerous substantial loans from outside sources, both Western and Communist, which have been drawn upon only partially, if at all. This does not, however, impede Canadian participation in projects or consulting work. For much of the work planned outside finance is not needed. Where foreign finance is desired, Iran will normally accept tied long-term financing from the source which offers, in its view, the greatest amount of expertise (in relation, of course, to cost).

Iran is an enthusiastic supporter of the Asian Development Bank now being established, in which Canada is investing. Although the country has been drawing down its foreign exchange reserves as a result of recent massive imports of productive equipment and raw materials, the direction and amount of industrial expansion are kept within limits set by the Government and particularly by the Plan Organization. A more serious cause for worry is the current very mild winter. This could result in less water for agriculture and therefore smaller crops, making it necessary to import more foodstuffs.

Regional Co-operation

The Regional Co-operation for Development, which embraces Turkey, Iran and Pakistan, envisages in part the co-ordination of industrial development in the three countries. Iran has been allocated the job of making feasibility studies, including market research for joint enterprises in certain fields of industry such as electronics, aluminum, dyestuffs, chemicals, drugs and pharmaceuticals, and lubricating oils.

Foreign Trade

Concerned about persistent and growing substantial trade deficits with developed countries, mostly Western, Iran has been entering into trade and payments agreements with the U.S.S.R., Poland, Czechoslovakia, Hungary and Rumania. In 1964/65 (ending March 20) imports from Communist countries represented 7.7 per cent of all imports, 50 per cent more than two years previously.

Holidays Observed in Iran

1966

March 21-March 25 inclusive Nowruz (New Year)

March 26-April 1 inclusive. Although these are not official Iranian holidays, they are part of the general Iranian New Year festive season and business is difficult to accomplish.

April 2—13th of Nowruz and Eide-Qurban

April 10—Eid-e-Ghadir

May 1—Tasu'a (Mourning Day)

May 2—Ashura (Martyrdom of Emam Hussein)

June 10—Arba'in

June 18—Deaths of the Prophet and Emam Hassan

July 6—Birthday of Hazrat Mohammad (the Prophet)

Aug. 5—Constitution Day

Aug. 19—National Uprising

Oct. 14—Birthday of Empress Farah Pahlavi

Oct. 26—Birthday of H.I.M. the Shahanshah

Oct. 28—Birthday of Emam Ali

Nov. 11—Prophet's Call to Mission

Nov. 16—Birthday of Emam Hussein

Nov. 28—Twelfth Emam's Birthday

Dec. 12—Azerbaijan Day

1967

Jan. 1—Emam Ali Mortally Wounded

Jan. 3—Emam Ali's Death

Jan. 12—Eid-e-Fetr

Feb. 5—Death of Emam Ja'far Sadeq

Feb. 21—Birthday of Emam Reza

Holidays Observed by the Canadian Embassy in Tehran

1966

March 21—Nowruz (New Year)

April 2—13th of Nowruz and Eide-Qurban

April 11—Easter Monday

May 2—Ashura (Martyrdom of Emam Hussein)

June 18—Deaths of the Prophet and Emam Hassan

July 2—Dominion Day (because July 1 is Sunday)

July 6—Birthday of Hazrat Mohammad (the Prophet)

Oct. 26—Birthday of H.I.M. the Shahanshah

Nov. 16—Birthday of Emam Hussein

1967

Jan. 3—Emam Ali's Death

Jan. 12—Eid-e-Fetr

Business Hours at the Canadian Embassy in Tehran

The Embassy is closed every Friday and Sunday but is open Saturday.

October 1 to May 14
Monday through Wednesday, and Saturday—8 a.m. to 5 p.m.
Thursday—8 a.m. to 1.30 p.m.

May 15 to September 30*
Monday through Thursday, and Saturday—7.30 a.m. to 1.30 p.m.

Telephone numbers—48306, 49291 and 613560

*Subject to change.

TABLE I

CANADIAN EXPORTS TO IRAN

Product	1963	1964	9 mos. 1965
	(in Canadian dollars)		
Asbestos milled fibres	135,650	345,700	273,200
Sheet and strip steel	571,433	444,112	225,030
Aluminum ingots, slabs	462,933	330,181	209,634
Synthetic fibres and waste	181,598	47,506	182,994
Copper pipe and tubing	62,539	163,555	133,578
Passenger automobiles	96,083	189,885	117,905
Yarns and thread	205,590	135,413	68,634
Plastic and synthetic rubber	139,516	102,422	62,575
Transformers and parts	173,648	....	59,639
Nuts and bolts, screws, washers	47,946	106,788	47,898
Components for communications	27,199	149,462	47,373
Parts and accessories	....	....	34,084
Compressors fans and parts	1,786	31,504	19,690
Sporting equipment	....	17,849	17,118
Tallow, inedible	113,736	131,580	....
Radio TV equipment and parts	631,383	160,276	....
All others	716,471	1,015,933	761,341
Total exports	**3,567,511**	**3,372,166**	**2,260,693**

Source: DBS.

Note: Exports of certain commodities exceeded substantially the figures quoted—for example, asbestos milled fibres and synthetic fibres. For the first-mentioned, transshipment is the explanation.

These figures do not reflect the recent sale of several small aircraft, with further sales expected.

Because of this shift and the general effort to diversify sources, Iran in that year received only 65 per cent of its imports from the EEC, Britain and the U.S. compared with 73 per cent two years before.

Greater dissatisfaction with shipping via the Gulf has led to agreements and greater facilities for shipping via the Soviet Union, where the climate is better for perishables and much time is saved. This has resulted in large Iranian exports to the Soviet Union and Eastern Europe. Several of Iran's new manufactures are beginning to find markets in the Gulf countries, in Afghanistan, India, and Ceylon.

Trade with Canada

Canadian imports from Iran still consist almost entirely of large amounts of petroleum and a small but growing number of carpets and totalled $31.2 million in 1964. No great change seems likely.

Canadian exports to Iran are shown in Table I ($3.4 million in 1964) but they fall far below our imports from Iran of petroleum alone.

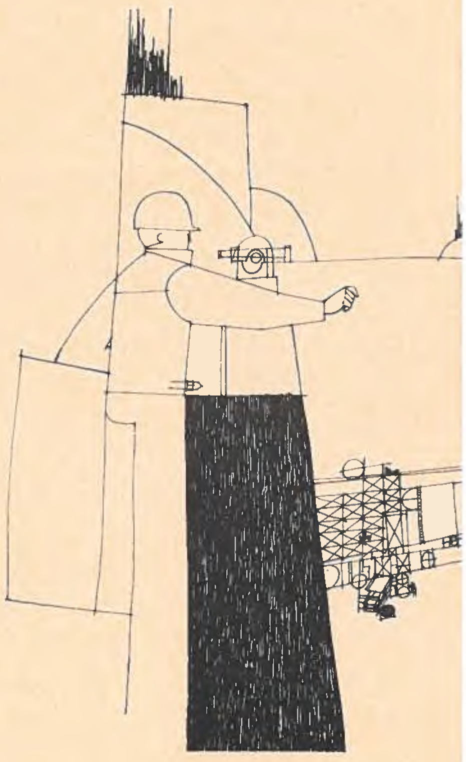
A large increase in exports of Canadian consumer goods cannot be expected because Iranian import policies are aimed at discouraging imports of luxury goods and of those that compete with domestic production. One exception, however, is quality sporting equipment. Sports are encouraged, more people have extra money to spend, but the demand is unlikely to warrant beginning local production.

In selling raw materials and spare parts, quality and service should be emphasized, in view of the high ocean freights. Some goods now imported from Canada are to be produced eventually by local enterprises—for example, certain steels (some time after 1971), hand tools, and plastic and synthetic rubber. On the other hand, rapid industrialization thus far has meant an upsurge in imports of raw materials and spare parts. We can expect this trend to continue, with the composition altering with industrial progress here.

Various government departments are continually calling for tenders, the important ones providing enough time for international competition. The Embassy obtains copies of those considered of interest to Canadian industry. These are sent to the appropriate Commodity Officers in the Department of Trade and Commerce in Ottawa. Manufacturers seeking foreign contracts should arrange with the Department to keep them in touch with these developments.

There are real and important opportunities for Canadian consulting engineers in various fields. A big feeder road-building program makes mining a more economic proposition and our knowhow is recognized. Our prowess in hydroelectric power became known when the contract for starting operations at the highest dam in the Middle East—at Dez in Iran—was given to Ontario Hydro. In the communications field, Canada played an important part in supply and installation of equipment for the Iranian section of the CENTO microwave link with Turkey and Pakistan. Iran is a vast country and is only starting to develop modern internal communications.

Canadian consultants visiting the Far East should include a stop at Tehran because discussions on the spot with key officials who make the major decisions are essential to obtain contracts. The Embassy's Commercial Division is ready to help. ●



Canadian sales increase sharply as

Turkey Follows Development Plan

C. SWIFT, *Commercial Assistant, Athens.*

THE TURKISH ECONOMY continues to be predominantly agricultural. Despite a certain amount of industrialization in recent years and the emphasis placed on industrial expansion in the Five Year Economic Development Plan (1963-1967)—the first stage of a 15-year perspective plan—agriculture still supports over 70 per cent of the working population. It also accounts for over 40 per cent of the gross national product and almost 80 per cent of total export earnings.

The standard of living is not high (per capita income U.S. $217) and the high 2.5 per cent a year birth rate makes an increase difficult.

To change this situation, the Turkish Government has embarked on an ambitious Five Year Plan, which calls for the spending of Turkish Lire 59,647 million (U.S.-$6.6 billion) by the end of 1967 (including U.S.$1.5 billion in foreign aid). Planned investments cover housing (20.3 per cent), agriculture (17.7), industry (16.9), transportation and communications (13.7), energy (8.6), mining and quarrying (5.4). Through a series of annual investment programs the Plan aims at an annual increase of 7 per cent in the gross national product. This target was exceeded in 1963 (7.5 per cent), but dropped to 4 per cent in 1964. The year 1965 was better, with the growth rate estimated at 5.1 per cent.

The cost-of-living index rose 5.4 per cent during 1965, with basic foodstuffs up 30 per cent from 1964 levels. Wholesale prices rose 9 per cent during the same period, partly because of higher prices for imports (up 11.5 per cent) and a similar rise in the cost of goods produced in Turkey.

Turkey depends on foreign aid to balance its international accounts and to finance its development projects. Five international agencies promised to provide Turkey with U.S. $200 million for public and private sector projects during 1965. This $200 million excluded assistance for the large Keban dam and hydroelectric project—for which $135 million has since been promised from various sources—and was made up of $100 million from AID, $35 million from the European Investment Bank, $10 million from IDA, $20 million from the World Bank, and $35 million from members of the OECD consortium for aid to Turkey. This is in addition to a credit of U.S.$175 million under the agreement of Association with the European Economic Community, in accord with which the European Investment Bank is advancing $35 million a year, spread over five years.

Another source of funds from the EEC countries is the growing volume of foreign exchange remittances being sent home by Turkish workers in Germany and in other parts of Europe. These reached an estimated U.S.$70 million during 1965, equivalent to 12½ per cent of the import bill.

The tourist trade is still another modest but growing source of foreign exchange. In the first ten months of last year, 323,763 foreign visitors entered Turkey, 35 per cent more than in 1964.

Trade Deficit Large

The tight control of imports was maintained last year because of the continuing large deficit in the balance of payments. Imports totalled U.S.$576.7 million during the first twelve months of 1965, a sizable increase over 1964's U.S.$542 million. (In 1963, by contrast, imports reached a record U.S.$691 million.) Most of the wheat that the country needs has been supplied by the United States under PL 480.

Exports, mainly of basic agricultural products and certain mineral ores, rose from U.S.$368 million in 1963 to U.S.$393 million in 1964 and to U.S.$459 million in the full twelve months of 1965.

TABLE I

WHAT TURKEY EXPORTS, 1964

	U.S.$ million	Per cent of total
Total exports	**410.8**	**100**
Of which:		
Dried and fresh fruit and nuts	86.2	23.4
Cotton	79.5	21.6
Tobacco	66.8	18.1
Wool and other animal hair	17.4	4.7
Live animals	17.2	4.6
Animal feedingstuffs	13.9	3.6
Vegetable oils	12.8	3.4
Sugar	11.6	3.1
Petroleum products	9.0	2.4
Hides and skins	6.0	1.6
Non-ferrous ores and concentrates	5.7	1.5
Copper	5.3	1.4

From the balance-of-payments point of view, the 1965 trade figures compare very favourably with programmed estimates of $665 million for imports and $410 million for exports. Estimates for 1966 show a record U.S.$725 million for imports and a new high of $460 million for exports.

Despite this improvement in export earnings, the trade gap remains large and will probably continue to be large until the country reaches its development goals. Capital and interest payments on earlier credits obtained abroad constitute an additional burden on the balance of payments. Arrangements were made during the

Holidays Observed in Turkey

December 31-January 1—New Year (1½ days)
January 23-25—Seker Bayram (3 days)
April 1-4—Kurban Bayram (4 days)
April 22-23—Children's Day (1½ days)
May 1—Spring Holiday (1 day)
May 19—Youth Day (1 day)
May 26-27—Liberty Day (1½ days)
August 30—Victory Day (1 day)
October 28-30—Republic Day (2½ days)

Canadian Representatives for Turkey

Canadian Embassy in Ankara

Address: Ahmet Agaoglu Sokagi No. 32
Cankaya, Ankara

Telephone: 12-24-48, 12-25-35

Business hours: Winter (September 16-June 14)
Monday through Friday—9 a.m.—12:30 p.m.
2 p.m.— 5:30 p.m.

Summer (June 15-September 15)
Monday and Friday—8:30 a.m.—12:30 p.m.
2:00 p.m.— 5:30 p.m.
Tuesday through Thursday—8.30 a.m.—1:30 p.m.
Summer hours subject to modification

Commercial Division, Canadian Embassy, Athens, Greece

Address: 31 Vassilissis Sophias Boulevard
Athens 138

Telephone: 714 041-2-3-4

Business hours: Winter and summer
Monday—8:15 a.m.—2:00 p.m.
3:00 p.m.—5:00 p.m.
Tuesday through Friday—8:15 a.m.—2:30 p.m.

year to extend these payments over a longer time.

The United States (with AID funds of $80 million this year) and two other countries, West Germany and Britain (with both Consortium and other aid), continue to dominate Turkey's import and export trade. (See Table II.) More of it is also being carried on with Communist countries under bilateral clearing arrangements which help Turkey to find outlets for some of its slower moving exports. For example, three products of particular interest to Canada—newsprint 11,000 metric tons, wood pulp 5,300 tons, and pulpwood 13,200 tons—are being obtained in large part from Eastern Europe. In addition, the Soviet Government has expressed willingness to furnish substantial aid (U.S.$100 to $200 million) for major capital investment projects within the Turkish Five Year Plan. Discussions on this with a visiting Soviet technical delegation took place recently in Ankara.

TABLE II

TURKEY'S MAIN MARKETS, 1963

	(per cent)
West Germany	16.8
United States	13.5
Britain	12.8
Italy	11.8
Switzerland	5.7
Lebanon	5.0
France	4.4
Canada	0.2*

*Turkish statistics.

Import Regime

The new import regulations for the first six months of 1966, plus the import lists relating to them recently released, show only minor changes from the situation in the second half of 1965. The Turkish import regime gives priority to materials and products that cannot be supplied or made within the country or substitutes for them turned out by domestic manufacturing or assembly operations. (For a summary of the import regulations, see page 43.)

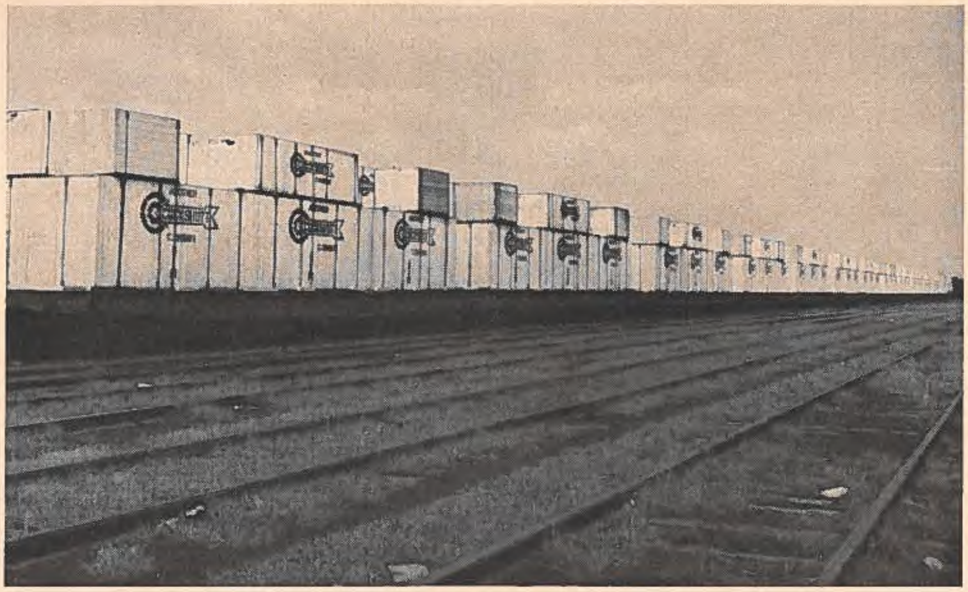
The new regulations covering assembly plants require that local content be increased progressively. Actual imports for these industries now are confined primarily to essential components and to raw materials that cannot be obtained locally. These industries include commercial vehicles, farm tractors, household appliances, pharmaceutical products, tires and tubes, and heating equipment.

Canada's Trade with Turkey

From January-October 1965, Canada sold to Turkey $2,677,088 worth of goods, more than double the $1,291,969 worth shipped during the ten months of 1964, and well above the $1,580,928 for the full year 1964.

This substantial rise resulted partly from an entirely new Canadian export to Turkey—prefabricated buildings and structures ($828,431)—and from considerably larger sales of aluminum ingot ($683,884 as against $384,905 for the full year 1964). Harvester combines were the third most important commodity in the trade; we sold 40 combines valued at $296,040 compared with 49 valued at $304,408 during 1964. Other commodities sold in greater quantities included files and rasps, whisky, card punch machinery, computers and parts; chemical elements; laboratory, optical and scientific instruments and parts; industrial control equipment and parts. Other products that we continued to sell in Turkey in smaller volume were communications and related equipment and components, textile machinery and parts, sulphuric acid, organic

A shipment of knocked-down Canadian combines sits on a railway siding in Turkey awaiting delivery and assembly. Canada sold 40, valued at $296,040, there last year.



acids and derivatives, metallic salts of organic acids, parts for combines, and medicinal and pharmaceutical products.

The Turkish market is closed to certain Canadian products because imports are financed under AID. These include synthetic rubber, artificial and synthetic yarns and staple fibres, certain chemical products, kraft paper, cattle hides and skins.

What to Sell

Canadian goods that will probably continue to find a good market in Turkey this year, to name a few, are aluminum ingot — despite possible competition from the new smelter in Greece and plans to build a 40,000-ton smelter in Turkey with Soviet aid—harvester combines, asbestos fibres (but Turkey is exploiting its own resources), whisky, and certain industrial and fine chemicals.

The Turks are using more chemical fertilizers (nitrogenous, phosphatic, potash and composite) and despite planned expansion of the domestic industry, will need substantial imports for some time; this year these will probably total 530,000 tons, double the 1965 figure. This offers an excellent opportunity to Canadian producers who are able to quote competitive prices.

The Agricultural Supplies Association, Ankara—a state agency that imports fertilizers, tractors, seed, etc., for sale on credit to farmers—re-

TABLE III
MAIN CANADIAN EXPORTS TO TURKEY

	1963	1964	10 mos. 1965
		(Can. $ '000)	
Prefabricated buildings and structures	....	....	828
Medicinal and pharmaceutical products	10	35	6
Whisky	63	88	120
Metallic salts, peroxysalts	9	21	16
Cattle hides, raw	26	....	....
Phenols, phenol alcohol and derivatives	4	6	5
Asbestos milled fibres	36	36	....
Sulphuric acid	....	....	33
Chemical elements, n.e.s.	27	97	103
Organic acids and derivatives	....	43	62
Pipes and tubes, iron and steel	361	....	....
Insulated wire and cable	....	25	....
Primary aluminum	85	385	684
Primary zinc	95	....	....
Fire bricks	13	5	11
Telephone apparatus and parts	2	....	....
Radio, television equipment and parts	464	63	....
Communications related equipment and components	9	49	32
Passenger autos and chassis	67	19	22
Motor vehicle parts, accessories	4	9	7
Heating equipment (fuel-burning) and parts	....	4	....
Card punch machinery, computers and parts	43	34	106
Industrial control equipment	1	....	21
Measuring testing instruments and parts	4	1	....
Harvester combines	744	304	296
Harvester combine parts	50	54	16
Engines, motor vehicle and parts	8	13	1
Truck and bus tires	47	....	....
Aircraft assemblies, equipment and parts	3	1	21
Engines, aircraft and parts	3	27	....
Laboratory, optical, scientific instruments	33	36	47
Rubber working machinery and parts	29	....	7
Files and rasps	....	15	46
Stationery and office supplies	36	19	10
Textile industry machinery and parts	27	18	45
Special industry machinery and parts	11	15	....
Trucks and chassis, commercial	....	....	31
Rock drilling, related machinery and parts	....	....	18
Bearings and parts	....	....	7
Total exports	**2,378**	**1,581**	**2,677**

cently issued a call for bids on the supply of 200,000 tons of simple granulated or 70,000 tons of triple superphosphate by March 3, 1966, with delivery up to the end of August 1966 and payment by letter of credit. This gives some idea of the opportunities.

Whatever Canadians wish to sell to Turkey, they should remember that, because of its foreign exchange problem, this is a price-conscious rather than a quality-conscious market and it is possible to lose business because of a difference of only a few cents.

Selling to Government

Turkish Government departments and state enterprises buy substantial quantities of a wide range of products, equipment and raw materials. These are purchased by tender and details of all such calls for tenders are reported regularly to the Department of Trade and Commerce in Ottawa, to be brought to the attention of interested Canadian suppliers.

We believe that the state buying agencies offer more extensive and encouraging sales opportunities to Canadian suppliers than do private trade and industry. Although it is not absolutely essential to use the services of a Turkish agent in bidding for this business, experience has demonstrated that it is advisable to have a good representative on the spot—preferably one with head office in Ankara—to help the exporter in many ways in the difficult Turkish market, to keep his Canadian principal fully informed about opportunities, developments and competition, and to follow up on offers submitted. The Athens office will be pleased to assist in the selection of first class representatives.

The most important and worthwhile opportunities, however, lie with the large capital investment projects included in the Turkish Five Year Economic Development Plan (1963-1967)—the first stage of a long-term 15-year plan. Annual programs within the plan contain detailed listings of all projects available for financing within the year under review. These projects cover all sectors of the economy; those of particular interest to Canada include pulp and paper, electric power, fertilizers, petrochemicals, cement plant expansion and conversion, and metal and mineral exploration. Financing the foreign exchange cost of these projects, however, presents a serious problem and may delay the implementation of many.●

Trade Commissioners on Tour

In Canada

United States—A. W. Evans, Consul and Senior Trade Commissioner in Cleveland, will visit Toronto May 2-7, Montreal May 9-14, and Ottawa May 16-17. Businessmen who wish to see Mr. Evans should get in touch with the Canadian Manufacturers Association in Toronto and the Department of Trade and Commerce in Montreal and Ottawa.

In Territory

Afghanistan—R. D. Lee, Assistant Commercial Secretary in Karachi, Pakistan, will visit Kabul May 1-4.

Australia—D. I. Campbell, Assistant Commercial Secretary in Canberra, will visit Adelaide, South Australia, and Perth and other areas in Western Australia for about two weeks beginning March 11.

Barbados—D. H. Clemons, Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Barbados March 7-12.

Brazil—R. W. Burchill, Vice Consul and Assistant Trade Commissioner in Sao Paulo, will visit Curitiba, Blumenau, Forianopolis and Porto Alegre March 21-April 1.

Communist China—A. Blum, Assistant Trade Commissioner in Hong Kong, will visit the Canton Spring Export Commodities Fair May 11-15.

Costa Rica—J. H. Nelson, Commercial Secretary in Guatemala City, will visit San José April 21-22.

Ecuador—J. C. Bradford, Assistant Commercial Secretary in Bogota, Colombia, will visit Quito and Guayaquil March 14-23.

El Salvador—P. D. Donohue,* Assistant Commercial Secretary in Guatemala City, will visit San Salvador March 14-16.

J. H. Nelson, Commercial Secretary in Guatemala City, will visit San Salvador April 28.

French West Indies—L. D. R. Dyke, Commercial Secretary in Port-of-Spain, Trinidad, will visit Martinique March 21-22 and Guadeloupe March 23-24.

Honduras—P. D. Donohue,* Assistant Commercial Secretary in Guatemala City, will visit Tegucigalpa and San Pedro Sula, March 9-11.

J. H. Nelson, Commercial Secretary in Guatemala City, will visit San Pedro Sula and Tegucigalpa April 18-20.

Leeward Islands—L. D. R. Dyke, Commercial Secretary in Port-of-Spain, Trinidad, will visit Antigua March 25, Montserrat March 28, St. Kitts March 29, and British Virgin Islands March 31-April 3.

Nicaragua—J. H. Nelson, Commercial Secretary in Guatmala City, will visit Managua April 20-21.

Panama—J. H. Nelson, Commercial Secretary in Guatemala City, will visit Panama City April 25-26.

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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*Mr. Donohue is making this tour in preparation for a tour of business centres in Canada this summer.

Import and Exchange Regulations in the Middle East

THE following paragraphs summarize import and exchange regulations affecting shipments to the Middle East but do not include information on the documents which must accompany shipments. In a number of Middle Eastern countries, these requirements include special documents which must accompany all imports. Canadian exporters who require detailed information on these regulations should address their inquiries to the Asia and Middle East Division, Office of Trade Relations, Department of Trade and Commerce.

Bahrain

IMPORT LICENCES are not generally required, but imports of certain goods such as firearms, alcohol, and ammunition require special permits. All firms wishing to import goods into Bahrain must register with the Chamber of Commerce and the Financial Department and obtain a trade registration number. Without this number, goods cannot be cleared through the Customs.

There are no exchange restrictions and banks are authorized to deal in dollars and sell them freely to residents. There are no restrictions on the manner of payment for imports but importers normally make payment only after merchandise has landed on the Customs wharf. Goods which have not cleared Customs in six months may be sold at auction.

Cyprus

SINCE GAINING INDEPENDENCE on August 16, 1960, Cyprus has consistently pursued a policy of liberalizing import restrictions and, as far as possible, abolishing discrimination as between sources of supply. During 1961 restrictions were lifted on a large number of imports from the dollar area. In the summer of 1962 there was a further liberalization and today dollar exchange is available for a wide range of products under Open General Licence. Licences and dollar exchange for products not covered by Open General Licence are subject to ministerial approval.

Ethiopia

IMPORTS are not subject to import licensing but exchange licences are required for the payment of foreign exchange. An application for foreign exchange must be accompanied by the supplier's invoice in triplicate, certified as being true and correct.

The National Bank of Ethiopia administers the foreign exchange regulations through its Exchange Control Department, including the authorization of foreign exchange licences. It is customary for drawees to make payment only upon arrival of merchandise. Payment for most imports may be made on any terms, including mail or telegraphic transfer, letter of credit, cash against documents at sight or on acceptance, with credit terms clearly stated on applications. Payment for certain goods classified as non-essential is authorized on similar terms, subject to usance in not more than 90 days. Documentary evidence of the import of goods must be submitted to the Import Control Department at the State Bank within a maximum of three months from the date on which payment under licence is effected.

Merchandise should be cleared through Customs within 90 days from date of payment. If it is not cleared within six months, it may be confiscated or sold at public auction.

Foreign exchange is normally granted freely in the currency of the country of origin of the goods to be imported, in U.S. dollars or in sterling.

Iran

ALL IMPORTS into Iran are subject to control by the Central Government, although import licences and exchange permits are not required. The Ministry of Economy determines which commodities may be imported and the central bank has responsibility for the administration of government import policies.

Iranian import regulations are revised annually, effective from March 21 to March 20 of the following year, and a new import list distinguishing between authorized and non-authorized imports is published. Most authorized imports may enter without prior approval by the appropriate government ministry. Commercial imports may only be made by firms or individuals holding a trade card issued by the Chamber of Commerce. Private persons, firms, or institutions are permitted to import authorized goods for their own use upon approval of the Ministry of Economy.

All import orders must be registered with the central bank. The commercial banks are required to collect from importers 1.50 Rials per U.S. dollar or equivalent in other currencies on each import order for deposit with the Central Bank at the time of registration. This deposit will not be returned to the importer until the goods have cleared Customs.

Payment for most imports into Iran must be made through documentary letters of credit. Importers using letters of credit are required to place advance deposits of 15, 40 or 100 per cent of the value of the proposed import with the Central Bank through their commercial banks, according to the essentiality of the goods. These deposit levels are represented by three rates of exchange: 11.50 Rials per U.S. dollar, 31.50 and 76.50, which includes the 1.50 Rials or 2 per cent registration deposit. Only after the deposit has been placed may the commercial banks open letters of credit. With the exception of the 1.50 Rials or 2 per cent retained until the goods have entered Iran, advance deposits are returned after payment has been made.

The validity of a letter of credit is limited to four months, although this may be extended for three months without reference to the Central Bank. Importers normally make payment after arrival of the goods. Goods uncleared eight months after arrival are subject to sale at auction.

Iraq

ALL IMPORTS except commercial samples up to a value of ID10 are subject to a licence, which must be obtained from the Directorate General of Imports and Exports before orders may be confirmed abroad. Licences are issued for goods shipped on a c. & f. (cost and freight) basis only; insurance must be arranged in Iraq. Shipments arriving in Iraq without a licence are considered as smuggled and become liable to confiscation. Licences are not approved after arrival of the goods.

Goods classed as essential are given priority in the issuance of import licences and allocation of foreign exchange. Licences for luxury goods are granted infrequently and almost none are issued for commodities that compete with those produced in Iraq. Import licences are valid for one year and a letter of credit must be opened within three months from the date the licence is issued. For shipments on a collection basis, drawing on the importer must be made within six months of issue date of licence. If a shipment does not reach Iraq within the validity period of the licence, applications must be made for an extension or a new one; these applications are generally approved.

All transactions in foreign exchange are subject to prior approval of the Central Bank of Iraq (Exchange Control Department). Foreign exchange is not released without presentation of a valid licence. Banks generally require a cash deposit of 25 per cent when an import letter of credit is opened.

It is the practice of Iraqi importers to make payment only after arrival of the merchandise. Goods may remain in Customs for six months and in bonded warehouses for three years. Merchandise stored longer than these periods becomes liable to sale at public auction.

Various sectors of the Iraqi economy have been nationalized and imports of goods in these sectors may be made only by authorized organizations. Import of tea, jute, certain drugs and medicines, sugar, automobiles and some other commodities is a government monopoly and such imports must be channelled through designated state trading companies. Tires, tubes, batteries, automotive spare parts and certain medical goods are partially monopolized: that is, private importers may compete with state trading companies for the import of these goods.

Israel

IN ORDER TO IMPORT, a merchant must obtain from the Israeli Government an approved importer's certificate, which must be renewed annually. Import licences are required only for goods not included on the official free list. Imports requiring licences include commodities which are semi-liberalized for which these licences are granted automatically. For the remainder, licences to import are issued on the merits of the individual application. The validity of import licences ranges from nine to twelve months. The arrival of merchandise without the required licence may result in confiscation or the imposition of fines unless permission for its return is obtained.

Operations in foreign exchange are governed by the Ministry of Finance and are conducted through authorized banks. Exchange for merchandise on the free list is granted automatically. Otherwise import licences provide for the allocation of and right to purchase foreign exchange. When a letter of credit is opened, the bank usually requires a full or partial deposit, which varies according to both customer relationship and the percentage of foreign exchange the import licence calls for.

Drawees normally make payment only after arrival of merchandise. To avoid high storage costs, shipments should be cleared through Customs within seven days of arrival. Goods are transferred to bonded warehouses if they are not cleared after 30 days. After one year they become subject to sale at public auction or to confiscation.

Jordan

ALL COMMERCIAL IMPORTS except those originating in Arab countries with which Jordan has concluded agreements require valid import licences issued by the Controller of the Import Department of the Ministry of National Economy. The import of arak, alcohol, cigarettes, toilet soap, cement (other than white), carbonic acid, aerated waters, refined petroleum products, and machinery not approved by the Ministry of Economy is prohibited. Goods the c.i.f. (cost-insurance-freight) value of which is less than JD50, or the foreign currency equivalent, do not require an import licence. Import licences are normally valid for six months and may be extended. Goods which arrive not covered by a valid import licence are subject to confiscation or the imposition of fines.

Most imports require exchange permits as well as import licences but the issuance of a licence constitutes a commitment that the necessary foreign exchange will be granted.

If goods are imported under documentary letter of credit, the credit must be opened within 45 days of the issue of the licence. Goods shipped under letter of credit must arrive in Jordan not later then one month after the original expiration date of the import licence, although this may be extended up to four months.

Drawees generally make payment only upon arrival of the merchandise. Goods may remain in Customs up to six months, after which they are subject to being sold at public auction.

Kuwait

ALL GOODS may be freely imported into Kuwait provided the importer holds a general import licence authorizing him to carry out import transactions. These licences are all issued by the Ministry of Commerce, are valid for one year from date of issue, and may be renewed. Exempt from the above provisions are imports of fresh vegetables, fruits, and livestock to be used for food unless otherwise prohibited; imports by the Government and its entities; imports by the diplomatic corps and international missions.

Prohibited import into Kuwait are alcoholic liquors and arms and ammunition except by special permit, as well as dangerous drugs and mixed spirits, except by order of the Public Health Department. Other prohibited goods include opium, certain printed matter, forged or false currency, weights and measures, and wheat flour.

There are no exchange regulations covering imports and foreign exchange is available on the official exchange market. Drawees generally await arrival of the merchandise before making payment. Goods not cleared through Customs within ten days are subject to demurrage charges. If they are not cleared within one year of arrival, they may be sold at auction.

Lebanon

THE MINISTRY of National Economy has responsibility for imports and exports. With the exception of certain listed goods which are likely to compete with local products (mainly foodstuffs) imports do not require a licence. Licences are valid for six months. There is a free market in which all foreign exchange transactions take place. There are no restrictions on payment for imports.

Merchandise remaining in Customs after eight days is subject to surtax. Goods may remain uncleared for six months, after which they become liable to confiscation or sale at public auction. If storage charges are paid, shipments may remain in bonded warehouses up to two years before becoming liable to sale at auction. There are free zone facilities in Beirut and Tripoli.

Qatar

ALL GOODS except firearms and alcoholic beverages may be imported freely without an import licence, provided the importer holds a general licence authorizing him to carry out import transactions. These licences are issued normally to nationals by the Chamber of Commerce in Qatar. The import of opium, cocaine, other dangerous drugs and cultured pearls is prohibited.

Foreign exchange to pay for imports is freely available. There are no restrictions on the manner of payment for imports.

Drawees normally make payment after arrival of the merchandise. Fines may be imposed on merchandise not cleared within 20 days, and after six months, uncleared merchandise is subject to sale at public auction.

Saudi Arabia

WITH CERTAIN EXCEPTIONS, goods may be imported freely into Saudi Arabia without an import licence. Goods prohibited import are: articles contrary to Islamic religion and culture; alcoholic drinks of all kinds; opium and other dangerous drugs, except for medicinal purposes; arms, ammunition and war material, except imports by the Government; articles of food injurious to health or unfit for human consumption.

Foreign exchange transactions are free of restrictions. There are no restrictions on the manner of payment for imports. Because payment of interest is not allowed, drafts should not carry interest clauses. Certain imports such as wheat, medicines, milk, milk powder, and vegetable oils are subsidized but to obtain the subsidy, these goods must be imported under letters of credit.

Drawees normally make payment only upon arrival of the merchandise. Merchandise not cleared through customs within seven days is subject to heavy demurrage charges. If it is still uncleared after a year, it is subject to confiscation and sale at auction. There are no bonded or public storage facilities.

Sudan

ALL GOODS imported in the Sudan are subject to official controls administered by the Ministry of Commerce, Industry and Supply. Merchandise considered essential, such as raw materials for domestic industries and certain textiles, may be imported under Open General Licence. For such goods the importer registers a pro forma invoice with the Ministry. The importer is then given a registration form which for exchange control and Customs purposes serves as an import licence.

Other imports require an import licence. The normal period of validity of a licence is three months but extensions may be granted.

Exchange control is administered by the Bank of Sudan through authorized banks. Import licences and registration forms include authorization to purchase the required foreign exchange. Imports from Canada may be paid for in either sterling, Canadian dollars, or U.S. dollars. The opening of a letter of credit must be accompanied by a 40 per cent deposit.

It is customary for drawees to defer payment until arrival of goods. Merchandise must be cleared through Customs before the expiry date of either the import licence or the registration form, whichever is applicable. Merchandise not cleared within six months is subject to sale at auction.

Syria

THE IMPORT of most merchandise is subject to import licence issued by the Ministry of National Economy, and licences are valid for six months. Commodities are classified in four categories: non-essential or prohibited goods—mostly goods produced domestically; commodities the imports of which is temporarily suspended; non-essential goods subject to licence, and goods admitted freely but without foreign exchange from the central bank. Other goods may be freely imported but foreign exchange for payment must be obtained from the central bank. All goods must be imported direct from the country of origin.

Imports are subject to advance deposits of 15, 40 and 75 per cent of the value, depending upon their essentiality. The advance deposit is refunded when payment is made for the import. Imports by SIMEX (see below) are exempt from deposit requirements.

In January 1965, the Government nationalized over 100 industrial companies. Approximately 55 per cent of imports into Syria are made by state agencies and primarily by SIMEX, the Import and Export Company of the public sector. The following commodities are imported through SIMEX: prepared or preserved meat and fish, sugar, infant foods, tobacco, salt, medicaments, fertilizers, tire cases, hides and skins, wood, paper, yarn, textile fibres, woven fabrics, iron, copper bars, harvesting and threshing machinery, television apparatus, tractors and motor vehicles and chassis thereof.

Import licences are valid after approval by the Ministry of Economy. A copy must be forwarded to both the Exchange Office and the authorized bank, which will release the required foreign exchange. Special applications must be filed for exchange at the official rate. Exporters should not ship until payment is assured on confirmation received that an import licence and exchange permit have been granted.

Turkey

REGULATIONS affecting both import and export trade are issued at the beginning of each licensing period, January to June and July to December.

Imports are divided into two main groups: free list and goods subject to quota. The first group includes two lists of liberalized goods subject to the different deposits, and the second group comprises goods for which licences are allocated on the basis of global quotas. Applications for goods included in the quota list must be made within one month and must not exceed 20 per cent of the quota to which they refer. No time limit is required for goods included in the free import list.

Imports may be effected only by holders of an importer's certificate issued by a Chamber of Commerce and/or Industry. Industrialists, exporters, mine-owners and tourist establishments do not require a certificate when importing for their own use. An application for an import licence must be accompanied by a deposit in either cash or bonds. For imports on the free list, this amounts to 70 per cent or 100 per cent and for goods subject to quota to 30 per cent for importers and 10 per cent for industrialists. Licences are valid for six months and imports must be effected within that period. For goods requiring a supplementary time limit for manufacturing, a permit must be obtained from a Chamber of Commerce or Industry. Import licences are valid only for the tariff headings indicated in the licence and goods must be indicated against such headings.

The granting of a licence guarantees the necessary foreign exchange. Payments for trade with countries with which Turkey has no payments agreements (including Canada) are made in U.S. dollars for the dollar currency area and in U.S. dollars or in currencies convertible into dollars for other areas. Free list imports must be paid for by letter of credit as opposed to quota list items, for which cash against documents (c.a.d.) or cash against goods (c.a.g.) are allowed.

Drawees generally make payment after arrival of the merchandise. Merchandise remaining in Customs after three months becomes subject to sale at auction.

United Arab Republic

ALL COMPANIES dealing with imports and exports in the United Arab Republic are nationalized and trade is centered in state entities. Applications for imports can be made only by the company or organization entrusted by the Ministry of Economy with the import of the particular kind of goods desired. Manufacturing establishments may import only their own requirements subject to the Ministry's clearance. Government supplies will be imported only by the particular organization selected by each Ministry. The import of food is given preference, as are imports of merchandise relating to the development plan of the United Arab Republic. Unapproved merchandise arriving in the country is subject to confiscation. Goods not cleared through Customs within six months from date of arrival may be sold at auction.

All applications for allocations of foreign exchange for various purposes, including imports, require the approval of the Planning Committee presided over by the Prime Minister. Once the Planning Committee approves an application, a bank may proceed with the opening of the relative letter of credit without further formality. The Central Bank of Egypt provides foreign exchange to authorized banks in accordance with decisions of the Planning Committee. Imports generally are paid on the basis of documentary credits. Payments made by other means require the prior approval of the authorities.

foreign tariffs and trade regulations

Jamaica

IMPORT RESTRICTIONS ON PASTA PRODUCTS—Effective February 7, the Jamaican Government has placed macaroni, vermicelli, spaghetti and egg noodles on specific licensing. Exporters should ensure that their customers in Jamaica have a valid import licence before making shipments.

Rhodesia

TOTAL EXPORT AND IMPORT EMBARGO—The Department of Trade and Commerce has announced further measures under the Export and Import Permits Act affecting trade with Rhodesia. This action follows an announcement by the Secretary of State for External Affairs in the House of Commons on February 3 that the Canadian Government has decided to extend its economic measures against Rhodesia by a total export and import embargo, with certain limited exceptions.

Order-in-Council PC 1966-289 places all goods of Rhodesian origin under import control effective February 10, 1966. Applications for import permits will generally be refused. However, consideration will be given to applications for shipments that were consigned and actually in transit to Canada on February 10.

Export permits issued to Canadian exporters for shipments to Rhodesia are being suspended effective February 24, 1966. On the same date, General Export Permits No. Ex. 2, No. Ex. 4, No. Ex. 5, and No. Ex. 6 are also suspended to the extent that they will not be valid for exports to Rhodesia.

Permits to export goods to Rhodesia are, as a general rule, no longer being granted. Consideration may be given, however, to applications to export food, medical supplies, other goods for humanitarian purposes, and goods which are for the essential needs of the Rhodesia Railways, Central African Airways and Central African Power Corporation.

Inquiries concerning export controls may be directed to the Export and Import Permits Division, Department of Trade and Commerce, Ottawa, or to the Department's regional offices in Vancouver, Edmonton, Winnipeg, Montreal, Halifax and St. John's, Newfoundland.

Turkey

FOREIGN TRADE REGIME FOR JANUARY-JUNE 1966—In the *Official Gazette* of January 4 the Turkish Council of Ministers announced the foreign trade regime affecting imports for the period January 1 to June 30, 1966. The new regulations, with minor amendments, are similar to those in effect during the second half of 1965, and there is virtually no relaxation in the restrictions on imports.

Some nine products have been removed from the "United States only" import list. These include: filter paper; iron alloys and granules; phospher bronze bars; tin foil, tin sheets, powder and rods; iron and steel sections and pipes. A dozen items have been transferred from list II to list I of the free import lists involving a reduction in the cash guarantee from 100 to 70 per cent, and ten items were added to the free list. Some 30 additional items now benefit from a quota allocation including steel-aluminum conductor wire. Allocations are in general more generous than for the previous six months.

Imports may be made only against the free import lists and the list of goods subject to import quotas. Industrial establishments exporting their manufactured products are being allocated foreign exchange for raw, auxiliary and packing materials required for their production. Imports of goods for trade may be made only by real persons or legal entities holding an importer's permit from the Chamber of Commerce and/or Industry. No importer's permit is required for imports made for their own needs by industrialists, exporters, mine owners, tourist establishments and manufacturers registered with a Chamber of Commerce and/or Industry. No combined or private barter transaction may be made in any form for imports and exports. The import of old, used and reconditioned goods is prohibited.

Import licences may be obtained from the Central Bank and are required for clearing the goods. They are effective for six months from the date of issue; goods must be imported within that period. If manufacturing requires it, supplementary time limits beyond this import period may be obtained upon application. For imports against the free import lists, a cash guarantee of 70 or 100 per cent of the Turkish lira equivalent, depending upon the kind of goods, must be deposited with the authorized bank when application for the licence is made. The cash deposit for chemical fertilizers has been reduced from 70 to 20 per cent.

For imports against the list of import quotas, a cash guarantee of 30 per cent for importers and 10 per cent for industrialists is required. The guarantee for new and replacement capital equipment under quota has been reduced from 10 to 1 per cent. Applications for import licences for goods under import quota must be made within one month from announcement of the quota. They should not exceed 20 per cent of the quota, except in cases where the value of one unit is greater than this amount. In such cases, the application is accepted subject to proof by submission of pro forma invoices. When imports are made against quotas marked "miscellaneous goods", the goods need not be included in the import lists. However, articles included in the free import lists may not be imported against these quotas.

Under the AID-financed program (not applicable to Canada) for imports on the free import lists, the guarantee deposit is 30 per cent of the amount of foreign exchange that importers apply for and 20 per cent for industrialists, mining and tourist establishments. For AID imports on the quota list, the cash guarantee is 20 per cent for importers and 10 per cent for industrialists. For imports under AID valued at less than $5,000, no guarantee is necessary.

Import permits are required when application is made for foreign exchange against the import lists. Permits are effective for three months from date of issue. Import permits are issued under the following conditions: if the goods are to be paid for by letter of credit, the Turkish lira equivalent shall be deposited and application for transfer of foreign exchange shall be made within two months after date of letter of allocation of foreign exchange and within three months of date of certificate of need. If the goods are to be paid for cash against documents or against goods, this must be declared within the same periods and an additional 50 per cent of the Turkish lira equivalent deposited with an authorized bank. Imports from Canada may be paid for only in U.S. dollars.

Detailed information concerning the current import trade control regulations affecting any particular commodity or product may be obtained from the Asia and Middle East Division, Office of Trade Relations, Department of Trade and Commerce, Ottawa.

Uruguay

LIQUIDATION OF COMMERCIAL DEBTS—The devaluation of the Uruguayan peso in October 1965 created a problem of arranging payment of commercial debts incurred at the former rate of exchange.

In those cases where the importers had applied for foreign exchange before October 15, the Banco de la Republica is offering to individual foreign exporters a series of notes bearing interest at 6 per cent over a three-year period. The face value on the notes will include accumulated interest since the due date of the obligation. For debts under U.S.$25,000, or equivalent, the bank will simply issue a letter promising to pay along the same line as the notes.

The payment schedule is one third of the amount 12 months after the date of the arrangement and one sixth at six-month intervals during the next two years.

Arrangement with the Banco de la Republica must be effected between February 10 and March 12, 1966.

Canadian exporters should instruct their Canadian bank to cable acceptance to Banco de la Republica, attention Contador Gualberto Boasso, rather than act through agents or distributors.

United States

TARIFF COMMISSION INVESTIGATION OF VALUATION LAWS—The United States Tariff Commission has instituted an investigation to determine the methods of valuation used by the United States and by its principal trading partners in determining the duty applicable to imports.

The Commission is to submit to the Senate Finance Committee by June 30, 1966, a preliminary report containing (a) a description of the methods of valuation used and (b) a comparative analysis of the basic differences between such methods of valuation and the valuation results they produce.

The Commission is to submit a final report by February 28, 1967. It shall include suggestions and recommendations for improvement of the customs valuation laws and the Commission's views as to the feasibility and desirability of adopting the Brussels definition of value for customs purposes and means for adopting such definition of value with the least practicable effect on trade.

The Commission has urged all interested parties to submit written views pertinent to the investigation at the earliest practicable date but no later than April 15, 1966.

A public hearing will be announced at a date subsequent to the Commission's preliminary report.

The Brussels Definition of Value for Customs Purposes follows:

Article I.

(1) For the purposes of levying duties of customs, the value of any goods imported for home consumption shall be taken to be the normal price, that is to say, the price which they would fetch at the time when the duty becomes payable on a sale in the open market between buyer and seller independent of each other.

(2) The normal price of any imported goods shall be determined on the following assumptions:

(*a*) that the goods are treated as having been delivered to the buyer at the port or place of introduction into the country of importation; and

(*b*) that the seller will bear all costs, charges and expenses incidental to the sale and to the delivery of the goods at that port or place; but

(*c*) that the buyer will bear any duties or taxes applicable in the country of importation.

Article II.

(1) A sale in the open market between buyer and seller independent of each other pre-supposes:

(*a*) that the price is the sole consideration; and

(*b*) that the price made is not influenced by any commercial, financial or other relationship, whether by contract or otherwise, between the seller or any person associated in business with him and the buyer or any person associated in business with him (other than the relationship created by the sale of the goods in question); and

(*c*) that no part of the proceeds of the subsequent re-sale, use or disposal of the goods will accrue either directly or indirectly to the seller or any person associated in business with him.

(2) Two persons shall be deemed to be associated in business with one another if, whether directly or indirectly, either of them has any interest in the business or property of the other or both have a common interest in any business or property or some third person has an interest in the business or property of both of them.

Article III.

When the goods to be valued

(*a*) are manufactured in accordance with any patented invention or are goods to which any registered design has been applied; or

(*b*) are imported under a foreign trade mark or are imported for sale under a foreign trade mark,

the normal price shall be determined on the assumption that the value of the right to use the patent, design or trade mark in respect of the goods is covered by the price.

Canadian Fisheries Reconnaissance Mission to Italy, Spain and Portugal visits a codfish drying plant at Viano do Castelo in Portugal. Left to right at back, are Guy Bernier, General Manager, Quebec United Fishermen; A. G. Bastos, Secretary General, Fishing Study Office, Lisbon; B. Choquette, Commodity Officer, and M. S. Strong, Commercial Counsellor in Lisbon, Department of Trade and Commerce; R. F. Johnson, Secretary, Fish Trade Associations, Halifax. Front, R. C. Crewe, Newfoundland Government, Dr. Acacio Castelo Branco, Codfish Co-ordinating Board of Portugal.

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 .9286

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent Feb. 22	Units per Canadian dollar	Notes (see below)
Algeria	Dinar		.2197	4.55	
Argentina	Peso	Free	.005698	175.50	
Australia	Dollar		1.2069	.8286**	
Austria	Schilling		.04165	24.01	
Bahamas	Pound		3.0173	.3314	
Belgium and Luxembourg	Franc		.02165	46.19	
Bermuda	Pound		3.0173	.3314	
Bolivia	Peso		.09153	10.93	
Brazil	Cruzeiro	Official Free	.0004873	2,052.12†	
Britain	Pound		3.0173	.3314	
British Guiana	Dollar		.6286	1.59	
British Honduras	Dollar		.7543	1.33	
Burma	Kyat		.2261	4.42	
Ceylon	Rupee		.2263	4.42	
Chile	Escudo	Bank rate	.2979	3.36	
		Free	.2470	4.05	
Colombia	Peso	Free	.05950	16.81	
		Certificate	.1197	8.35	
Congo, Republic of	Franc		.007179	139.29	(1)
Costa Rica	Colon		.1625	6.15	
Cuba	Peso		‡	‡	
Czechoslovakia	Koruna		.1496	6.68	
Denmark	Krone		.1561	6.41	
Dominican Republic	Peso		1.07688	.9286	
Ecuador	Sucre	Official	.05983	16.71	
		Free	.05815	17.20	
El Salvador	Colon		.4308	2.32	
Fiji	Pound		2.7183	.3679	
Finland	Markka		.3365	2.97	
France, Monaco, etc.	Franc		.2197	4.55	(2)
Franco-African Republics, etc.	Franc		.004394	227.58	(3)
French Pacific	Franc		.01208	82.78	(4)
Germany	D Mark		.2682	3.73	
Ghana	Cedi		1.2572	.7954	
Greece	Drachma		.03589	27.86	
Guatemala	Quetzal		1.07688	.9286	
Haiti	Gourde		.2154	4.64	
Honduras	Lempira		.5384	1.86	
Hong Kong	Dollar	Free	.1873	5.34	*Feb. 11
		Official	.1886	5.30	

**Australia introduced the decimal system on February 14, 1966.

†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.

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

*Latest available date.

Country	Unit	Type of Exchange	Can. dollar equivalent Feb. 22	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official	.02504	39.94	(1)
India	Rupee		.2263	4.42	
Indonesia	Rupiah		*	*	
Iran	Rial		.01422	70.34	
Iraq	Dinar		3.0153	.3316	
Ireland	Pound		3.0173	.3314	
Israel	Pound		.3590	2.79	
Italy	Lira		.001723	580.38	
Japan	Yen		.002975	336.13	
Lebanon	Pound	Free	.3524	2.84	
Malaysia	Dollar		.3518	2.84	
Mexico	Peso		.08615	11.61	
Morocco	Dirham		.2154	4.64	
Netherlands	Florin		.2972	3.36	
Netherlands Antilles	Florin		.5710	1.75	
New Zealand	Pound		3.0064	.3326	
Nicaragua	Cordoba		.1538	6.50	
Nigeria	Pound		3.0173	.3314	
Norway	Krone		.1507	6.64	
Pakistan	Rupee		.2263	4.42	
Panama	Balboa		1.07688	.9286	
Paraguay	Guarani	Free	.008723	114.64	
Peru	Sol	Free	.04014	24.91	
Philippines	Peso	Free	.2763	3.62	
Poland	Zloty	Fixed-basic rate	.04486	22.29	
Portugal & Colonies	Escudo		.03746	26.70	(5)
Sierra Leone	Leones		1.5076	.6633	
South Africa	Rand		1.5087	.6628	
Spain and Dependencies	Peseta		.01798	55.62	
Sweden	Krona		.2084	4.80	
Switzerland	Franc		.2483	4.03	
Syria	Pound	Free	.2817	3.55	
Thailand	Baht	Free	.05169	19.35	(1)
Tunisia	Dinar		2.0622	.4849	
Turkey	Lira		.1197	8.35	(1)
United Arab Republic	Pound	Official	2.4768	.4037	
United States	Dollar		1.07688	.9286	
Uruguay	Peso	Free	.01612	62.03	
Venezuela	Bolivar	Official Free	.2398	4.17	
West Indies	Dollar		.6286	1.59	(6)
	Pound		3.0173	.3314	(7)
Yugoslavia	Dinar	Official	.08615	11.61	

*As Indonesia is no longer a member of the International Monetary Fund, a realistic exchange rate is not available.

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.

Minister of Trade and Commerce Addresses Toronto Businessmen

IN AN ADDRESS to the annual dinner of The Board of Trade of Metropolitan Toronto on January 24, the Minister of Trade and Commerce expressed his particular interest in the relationship between business and Government. Mr. Winters said, "Having regard to my own status as recently as a month ago and the fact that I am now a Member of Parliament and of the Cabinet, you will appreciate that I have a particular interest in the relationship between business and Government." He pointed to the need for "close liaison between the business community and those who are responsible for developing economic policies for the country as a whole."

Reviewing the state of the Canadian economy Mr. Winters expressed confidence for the year ahead. "All the indicators point to the continuation of a strong economic trend in the year ahead. The international economic climate is reinforced by sustained advance in the United States economy and the promise of stronger growth in some important overseas markets. On the domestic front a further large increase in capital spending, particularly by the business community, is in prospect. Rising incomes will contribute to sustained buoyancy of consumer demand."

Mr. Winters cautioned that: "These growing demands will entail continuing pressure on production facilities in many sectors of the economy with consequent vulnerability to inflationary strains." He pointed out that to avoid such strains we will have to make the best use of our productive resources. "Productivity should be the key note." He also pointed to the role of imports in relieving demand pressures. However, rising imports had contributed to our over-all deficit on current account. The Minister pointed to increased efficiency as the way to reduce this deficit. "Every firm and every individual can help to increase productivity and improve our competitive position, thus making a contribution to a better balance in our current account."

He emphasized the importance of having Expo 67 in Canada. "In addition to stimulating our trade, it will reflect to the world the best in Canadian achievement. Money spent on Expo 67 will be a good investment for Canada. I invite your interest and participation."

Mr. Winters referred to the Kennedy Round as "part of a continuing process of bringing about closer and more effective international co-operation in the trade and economic field." He thought it was "premature to speculate at this stage on what may lie beyond the Kennedy Round," but it was clear "that as we move forward in the freeing of channels of trade, the issues become increasingly complex and difficult." In such a situation "close and continuing consultation between Government and business is particularly important."

In parallel with our participation in the Kennedy Round Mr. Winters said, "we had been working in other ways to strengthen our ties with our trading partners. The Automotive Agreement with the United States is now going into its second year and is working well.

"Increasing attention is being given to the development of our trading relations with the Soviet Union, the Eastern European countries and Communist China," he continued. "There are now bilateral trade agreements with a number of these countries which have laid the basis for a substantial increase in our sales to them. They have provided a major market for Canadian wheat. Notwithstanding the special difficulties of developing trade with the state trading countries, there should, over a time, be a significant potential for trade with these countries on an increasingly diversified basis."

In speaking of the need to adapt to a changing international trade environment Mr. Winters said, "I intend to keep in close touch with businessmen on these matters and I invite you to give the Government the benefit of your advice and guidance. I wish to encourage a continuing exchange of information and ideas. The full use of the services of the Department is available to you in searching out and taking hold of the opportunities for new export business. Our energies, resources and experience are at your disposal in this task. Trade and Commerce has been in the business of promoting exports for over seventy years. Its efficient and well-staffed foreign service covers every important market for Canadian goods. The interest and active support of the business community has enabled the Department to develop a variety of programs designed to give greater thrust to our export effort.

"Our export trade is currently undergoing an impressive growth and diversification. Canadian businessmen are taking an interest in market areas which have previously not been regarded as particularly promising. All of this entails a continuing review of the services provided by the Department of Trade and Commerce to ensure that they are adapted to changing needs and conditions. Two new Trade Commissioner offices are to be opened this year. One of these will be in San Francisco. The location of the other is currently under consideration on the basis of the trade prospects in various market areas. The Department's network of regional offices within Canada is also to be further strengthened during 1966. In addition, there are plans to expand the trade fairs and trade missions programs. These and other steps should enable the Department to do a better job for the Canadian exporter and contribute to a further improvement in Canada's export performance." ●

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