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DEPARTMENT OF TRADE AND COMMERCE, OTTAWA



Trade and Development in the Far East

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COVER: The Far Eastern countries reviewed in this issue all emphasize industrial development, though all are at different stages. At the forefront is Japan, avid for progress. Witness the train shown in the picture. It is part of the new Tokaido Line, which offers 55 return trips a day between Tokyo and Osaka. Its trains travel the 320 miles in three hours and ten minutes.

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Canada's Trade with the Far East 2

This introduction to the comprehensive reports on eight Far Eastern countries that follow points out the significant similarities in these markets from the trading viewpoint and goes on to discuss the equally important differences. Exporters should be briefed on both if they wish to enter or expand these markets.

Japan Curbs Over-Expansion 5

Tokyo lies at the heart of our largest Far Eastern customer, Japan, which has grappled in the past year with a recession that has affected our exports. Our Minister (Commercial) here describes how government and business have coped with resulting problems. The report on South Korea sounds an encouraging note.

Trading with Japan 7

South Korea Makes Good Progress 9

Thailand's Economic Boom Continues 12

In this group of reports, the emphasis falls on Thailand, a market with excellent potential, where imports are rising year by year. Two important developments in Singapore are also reviewed: the attack on the difficult housing problems and the trade opportunities provided by the drive to increase electric power supply.

Thailand Offers Attractive Market 14

Singapore Attacks Housing Problem 16

Singapore Expands Its Electrical Generating Plant 18

Singapore after Separation 19

Hong Kong: a Billion Dollar Market 20

This office looks after trade with Hong Kong itself, which took Canadian goods worth \$16.7 million last year, and Communist China, a \$105 million market. The trade statistics in the article on the latter, the product of painstaking research, should be particularly revealing to exporters interested in this area.

Canada's Trade with Hong Kong 22

Communist China Emphasizes Expansion 24

Philippines Sets Up Economic Goals 30

The review of developments in the Philippines discusses the financial and other problems facing the new administration, analyzes the country's foreign trade, and examines Canadian export performance there. The report on Taiwan highlights the progress being made towards complete self-support, as aid is phased out.

Taiwan Blueprints Further Progress 33

Import and Exchange Regulations in the Far East 35

Shipping Services from Canada to the Far East 38

The Ocean Freight Market 44

Canada in Far Eastern Markets 48

Foreign Exchange Rates 46 Trade Commissioners on Tour 42

Foreign Tariffs and Trade Regulations 43 Trade Lines 41

COMING—A LOOK AT AUSTRALIA IN 1966, MAY 14 ISSUE

Last year brought a slight decrease in our sales to the Far East, partly because of industrial slowdown in Japan. Demand for raw materials, foods, capital goods and equipment in this area will continue and our 1965 exports of \$490 million should be topped in 1966.

Canada's Trade with the Far East

TABLE I
CANADIAN EXPORTS TO THE FAR EAST

	1961	1962	1963	1964	1965
	(Can.\$'000)				
Burma	1,405	1,303	703	736	671
Cambodia & Laos	114	2	17	9	128
Communist China	125,448	147,438	104,738	136,263	105,131
Hong Kong	19,604	14,283	17,490	22,278	16,734
Indonesia	2,463	2,027	1,394	703	1,636
Japan	231,574	214,535	296,010	330,234	316,187
Korea	2,067	1,492	3,870	1,096	823
Malaysia	5,696	5,453	6,355	8,370	9,253
Philippines	15,645	18,545	21,284	27,809	26,354
Taiwan	2,219	4,387	3,759	6,178	6,577
Thailand	2,921	3,472	2,823	3,803	5,621
Vietnam	206	298	250	726	804
Total exports	409,362	413,235	458,693	538,205	489,919

TABLE III
PRINCIPAL CANADIAN EXPORTS TO THE FAR EAST

Commodities	Number of Markets	1963	1964	1965
		(Can. \$'000)		
Barley	3	4,672	24,165	11,882
Wheat & wheat flour	8	219,908	245,406	213,047
Oilseeds	2	26,790	20,292	27,118
Tobacco	3	192	1,450	844
Wood pulp	6	23,278	23,980	26,740
Lumber	3	21,657	18,327	14,804
Newsprint	5	4,147	14,268	8,586
Aluminum ore & ingots	6	11,931	16,456	15,053
Copper ore	2	31,750	36,472	33,760
Iron ore	2	20,295	18,270	19,734
Lead ore & ingots	3	1,455	2,165	1,205
Zinc ore & ingots	4	1,320	6,319	1,470
Asbestos	11	9,456	12,294	11,147
Sulphur	4	1,504	2,278	3,605
Fertilizer	3	6,520	9,140	11,272
Plastic & plastic resins	7	4,656	8,014	4,668
Plastic and synthetic rubber	7	3,939	3,883	3,745
Industrial machinery & parts	12	2,422	2,960	2,158
Farm machinery & parts	4	165	166	324
Transportation equipment & parts	12	3,496	3,519	3,679
Communication equipment & parts	5	1,016	2,485	5,544

IN 1965, Canadian exports to the Far East declined from the \$538 million of 1964 to \$490 million. This 9 per cent reduction may be related to decreases in our trade with Japan and Communist China. The decline in exports of raw materials to Japan reflects the slowdown in industrial activity which prevailed there throughout much of 1965. If, however, the fiscal and monetary policies implemented by the Japanese Government attain the desired ends, the outlook for the resumption of expansion in Japanese production and also in Canadian exports is favourable.

Our exports to Communist China consist almost exclusively of wheat

and barley. The timing of wheat shipments under contracts concluded within the framework of the long-term Wheat Agreement has a bearing on export values and this explains the decline in Canadian exports in 1965. A new long-term agreement concluded by the Canadian Wheat Board provides the basis for significantly larger wheat exports in the three-year period beginning August 1, 1966.

As Table I indicates, changes in the volume of Canadian exports to other Far Eastern markets were not significant on the whole. Exports to Malaysia, Thailand, the Republic of China (Taiwan), Cambodia, Laos, Indonesia and Vietnam rose; those to

Hong Kong, Korea, the Philippines and Burma declined slightly. Table III shows the composition of Canadian exports to the area; leading commodities were wheat and wheat flour, copper ore, oilseeds, wood pulp, aluminum ingots and ore, lumber, barley, fertilizer, asbestos, and newsprint.

What Canada Imports

Imports into Canada from the Far East in the first eleven months of 1965 increased to \$304 million from \$233 million in the same period of 1964. Table II shows that all the listed countries shared in these increased exports to Canada. Notwithstanding the greater value of imports, Canadian exports to this area continued to exceed imports from it. Our imports from the Far East consist of a wide variety of tropical raw materials and consumer goods, and the main items in this trade are textiles, clothing, rubber footwear, natural rubber, tin, vegetable oil, fruits and nuts, toys, transistor radios, tropical woods, and a host of other consumer goods.

Imports for Development

Although it would be difficult to consider the countries listed in Table I as a homogeneous market, they none the less exhibit certain similarities which are significant from the point of view of export trade. The stage of development that the Far Eastern countries have attained runs the gamut from Japan, with its highly industrialized economy which supports a standard of living comparable with that of certain Western European countries, to Korea and Thailand, whose vigorous development efforts have only recently begun to bear fruit. The important fact to bear in mind is that most of these countries are striving to foster economic growth by expanding and diversifying their industries, by developing their transportation and telecommunications systems, and by exploiting their energy and raw material resources.

Many of these countries, however, are not at present in a position to provide all the goods they need to implement development projects. The Far East, by virtue of the size of its population, its present level of development, and its requirements for development projects, is thus a large potential market for many kinds of goods

TABLE II
CANADIAN IMPORTS FROM THE FAR EAST

	1962	1963	1964	11 months	
				1964	1965
	(Can.\$'000)				
Burma	50	102	276	276	34
Cambodia & Laos					
Communist China	4,521	5,147	9,372	8,586	13,513
Hong Kong	18,889	21,197	26,872	24,680	28,951
Indonesia	173	152	1,393	1,159	2,261
Japan	125,359	130,471	174,381	155,271	207,725
Korea	99	380	473	425	1,376
Malaysia	27,740	31,634	34,536	31,797	38,010
Philippines	1,447	2,007	2,970	2,577	3,280
Taiwan	2,910	5,875	9,063	8,002	8,483
Thailand	1,031	582	582	492	794
Vietnam	7	1	4	4	2
Total imports	182,226	197,548	259,922	233,269	304,429

that Canada produces competitively. In the past, Canadian producers have made some fairly substantial inroads into existing markets for raw materials, capital equipment and fertilizers; the enclave, however, is relatively small and could be widened by aggressive marketing of competitive Canadian products.

Development projects are vital to the economic growth of these countries but often impose considerable financial burdens on them. To alleviate this situation, the Asian Development Bank has been created. The Bank, whose character and management will be largely Asian, will have its headquarters in Manila. Opportunities for non-regional participation in the financing and management of the Bank have, however, been provided. Because Canada is a charter member, Canadian businessmen will be eligible for the procurement contracts which arise from the work of this Asian Development Bank. (See brief article in the April 2, 1966, issue of *Foreign Trade*.)

Food and Fertilizers

Most countries in the Far East do not produce enough food to satisfy the needs of their rapidly growing populations. This problem is usually linked to either traditional methods of cultivation or insufficient arable land, or both. The problem has been met by importing bulk foodstuffs to satisfy immediate needs while trying to improve agricultural production through the use of improved techniques, fertilizers and capital improvements. This solution has of course favoured Canada as a reliable and efficient producer of the major requirements in this field. Thus it is not surprising that a large share of our exports to the Far East has consisted and probably will continue to consist in part of bulk foodstuffs. The market for fertilizers may also become increasingly important.

Although the large and expanding populations in many of the countries in the Far East present a problem from the point of view of food requirements, they should also be viewed as an abundant source of labour. Several of these countries have drawn on this relatively inexpensive factor of production to produce competitively priced commodities with a

high labour content. Examples are textiles, transistor radios, and various other goods which lend themselves easily to assembly-line techniques. The emerging industries have provided markets for Canadian raw materials such as non-ferrous metals, asbestos, plastics and synthetic rubber.

In summary, the Far East has certain characteristics which make it a very large potential market for the kinds of goods Canada can produce and deliver efficiently. In the past, Canadians have done well in this market (as the accompanying tables show) and they should continue to improve their sales as long as their goods are competitive and able to satisfy the changing demands of these developing countries.

Similar but Different

Despite the significant similarities in these markets, it is also important to be aware of the existing differences which have some bearing on our trade. The Far Eastern countries have different languages, cultures, climates, living standards, economic and political systems. These differences in political and economic organization have fostered a variety of trading systems and frameworks. These range from market

economies to comprehensive state trading systems and from open markets to those with restrictive import systems.

A knowledge of these different practices is of course essential to the conduct of a successful export operation. This information is readily available from the Canadian Trade Commissioners in Hong Kong, Tokyo, Singapore, Kuala Lumpur, and Manila, who will be pleased to assist Canadian exporters to market their products in this part of the world. They also stand ready to discuss trade opportunities and problems during the exporter's visit to their territory or during their own visits to Canadian cities in the course of their Canadian tours. (These are announced in advance in *Foreign Trade*.) In Ottawa, the Asia and Middle East and Commonwealth Divisions of the Department can provide information on tariffs, trade regulations and current business conditions, and the Commodity Officers can provide data on specific products and their market potential.

The articles which follow are designed to give a more detailed analysis of business conditions and market opportunities for Canadians in these countries.



Maple Leaf to Blossom in Bangkok

CAPITAL GOODS and technical equipment and services will highlight the Canadian exhibit at the First Asian International Trade Fair in Bangkok later this year. The Department of Trade and Commerce is joining with 14 companies to show such products as rasps and files, broadloom, electronic products, and radiation medical equipment.

The fair's theme is *Peace and Prosperity through Trade Co-operation*, and the Canadian stand will stress this. Special emphasis will be laid on Canada's ability to provide the best in both engineering products and technical advice and assistance. The 3,000-square-foot stand will be located in the Hall of Nations, with New Zealand and Iran as neighbours.

An extensive promotion campaign includes an illustrated booklet describing the actual products on display, a more general booklet which deals with Canada

as a sophisticated manufacturing country, and 50,000 of the well-known maple leaf pins inscribed with the Thai translation of "Canada". Exhibition Commission designers are already at work on drawings for the stand. They have been given only one stipulation by the Thailand authorities: the colour orange must not be used. The reason is that orange is reserved exclusively for the royal family of Thailand and Buddhist monks.

The executives of the fair are awaiting the Canadians with a great deal of interest. A recent letter from Colonel Chuanchuen Kambhu, director general of the show, thanked the Government of Canada for its interest and support and went on, "We shall no doubt see a wide range of Canadian goods exhibited at the fair in addition to a display of Canada's recent achievements." That's precisely what we have in mind. ●

Japan Curbs Over-Expansion

J. C. BRITTON,
Minister (Commercial), Tokyo.

THE JAPANESE ECONOMY, relatively static compared with the rapid growth of recent years, may well be on the verge of recovery. The consensus of expert views in Japan suggests steady progress during the current year.

The pace of business slowed down after the country played host to the Olympic Games in 1964. The present is, in fact, the third recession Japan has experienced over a ten-year span. Neither this recession nor the previous ones ending in 1958 and 1962 have been of major proportions, and Japanese economic growth has continued while they lasted, though at a much slower pace. Some pauses in the spectacular industrial advance over the past fifteen years were inevitable, and the recessions have served to focus attention on weaknesses in the economy which, when corrected, provided a base for further growth and expansion. The present recession has indeed pinpointed economic and financial shortcomings accumulated in the recovery years, and since they have been in evidence for a long time, the corrective process may be a long one. It is therefore by no means certain that the future rate of expansion will be as spectacular as in the past.

Impressive Record

Japan has demonstrated in a practical way its capacity for rapid economic growth. It should be noted that as a result of war, the country sustained great losses of territory, industrial plant and manpower resources. Yet few countries have surmounted such handicaps so successfully. The progress made in transport, industry, architecture, education and other fields in the short space of fifteen years has been phenomenal. The Japanese are now at another stage in their progress



—Japan External Trade Organization

These young ladies, Japanese Canadians, greeted the arrival of a shipment of mandarin oranges in Vancouver. Destined for the Christmas trade, these were part of over 3 million boxes shipped to Canada within ten days and rushed east by train.

where the problems accompanying sustained affluence, declining profits in some industries, and lower inventory investment must be overcome. One important ingredient—confidence—is

apparent on all sides. This, coupled with sophistication and a mature approach to economic and financial problems, offers high hopes for continued economic growth.

The relative sluggishness in general business conditions is apparent from recently published statistics. Fiscal 1965 (April 1, 1965, through March 31, 1966) will, it is now estimated, show a rise in the gross national product of 8.0 per cent (nominal), but only 2.7 per cent in real terms. This is in sharp contrast to the two preceding years (1964=14.8 per cent nominal, 11.2 per cent real; 1963=16 per cent nominal, 11.9 per cent real). The index of industrial production for January 1966 stood at 181.9 (1960 equals 100), up 5 per cent over the corresponding month of the previous year. Inventories of finished goods in the hands of manufacturers continue to be high, but there has been some improvement recently. The index of employment is holding its own although employment in textiles, rubber, iron and steel and machinery is down slightly. Personal consumer spending in 1965 advanced by about 11 per cent over 1964 and this, to a limited extent, absorbed some of the slack resulting from a decrease of 2 per cent in investment in plant and equipment.

Mergers and Amalgamations

The slowdown in economic growth has naturally resulted in a number of bankruptcies. Manufacturers in Japan are burdened with certain fixed overhead expenses which leave them vulnerable to business downturns. For example, high interest charges accrue on short- to medium-term bank borrowings used not as working capital but to finance acquisition of plant and equipment. Japan's traditionally paternalistic approach to employee relations involves a high degree of job security and many fringe benefits. Thus companies feel compelled to maintain production and sales at high levels at times of declining demand. At such times there is a tendency to over-produce, to reduce prices, and to make special efforts to sell in domestic and export markets.

To meet these problems, the Government has been encouraging corporate reorganization and mergers in an attempt to rationalize key industries. Government statistics record an annual average of 300 to 400 business mergers before 1961. Since then, they have increased sharply, with mergers ranging from nearly 600 in 1961 to over 900 in 1965. Here are a few examples.

- In June 1964, Mitsubishi Heavy Industries was re-created as a reunion of the postwar Mitsubishi firms engaged in heavy industries, shipbuilding and engineering.

- It has been announced that effective April 1, Marubeni-Iida Co. Ltd., a leading trader in textiles, heavy and chemical products, is merging with Totsu Co. Ltd., one of Japan's most prominent steel firms.

- Expected to be formally approved this summer is a May 1965 merger of Nissan Motor Co. Ltd., and Prince Motors Ltd., the second and third largest motor vehicle manufacturers in Japan.

- The merger of Kanegafuchi Spinning Company and Toho Rayon Co. has been announced for August. This merger involves one of Japan's leading cotton spinners and a prominent synthetic textile manufacturer.

Trading Companies

There were also a number of vertical alignments in 1965, in addition to the horizontal mergers of competitors. These illustrate how the recession has

TABLE I

JAPAN'S EXPORT TRADE

(millions of U.S. dollars)

Country	Rating		Product		Rating		
	1964	1965			1964	1965	
United States	2,479	1	1	Steel	1,290	1	1
Liberia	371	6	2	Ships	713	2	2
Australia	313	3	3	Non-ferrous goods	305	5	3
Hong Kong	288	2	4	Cotton goods	303	3	4
Communist China	245	11	5	Clothing	287	4	5
Philippines	240	7	6	Motorcars	237	8	6
Thailand	219	4	7	Fishery products	231	6	7
Taiwan	218	14	8	Radios	216	7	8
West Germany	215	12	9	Synthetic textiles	186	10	9
Canada	214	10	10	Optical instruments	179	9	10

TABLE II

JAPAN'S IMPORT TRADE

(millions of U.S. dollars)

Country	Rating		Product		Rating		
	1964	1965			1964	1965	
United States	2,366	1	1	Oil	1,308	1	1
Australia	552	2	2	Iron ore	524	4	2
Canada	357	3	3	Lumber	493	3	3
Kuwait	306	4	4	Raw cotton	442	2	4
Malaysia	263	5	5	Wool	343	5	5
Philippines	254	8	6	Non-ferrous ore	287	9	6
Iran	247	9	7	Coal	270	11	7
Soviet Union	240	7	8	Wheat	251	6	8
Saudi Arabia	231	10	9	Non-ferrous goods	247	7	9
Communist China	225	12	10	Maize	231	12	10

contributed indirectly to strengthening the major Japanese trading companies. These trading enterprises supply raw materials and make available cash advances and credit facilities to a number of manufacturers. During this difficult period for business, a number of these manufacturers have defaulted on payments due to trading firms. The latter have assumed management control through stock acquisitions and have endeavoured to promote corporate and industry-wide reorganization.

Industrial Advances

Japan has made impressive strides in recent years in the heavy industry and chemical fields. Sectors such as iron and steel, chemicals, petroleum refining and machinery have expanded exceptionally rapidly and are key factors in the industrial complex. This country is now the world's third largest steel producer, following the U. S. and the U.S.S.R.; steel production in 1965 totalled about 41 million tons. The substantial capital investment over the past ten years has brought about increased production of general machinery and heavy electrical machinery.

Production of light electrical machines and automobiles and of consumer goods such as television sets and electric refrigerators has also gone up sharply. Japanese ship launchings continue to be numerous and this country is well ahead of other world leaders in the shipbuilding field.

Foreign Trade

There was a spectacular rise in Japan's export trade in 1965—up 27 per cent over 1964 to U.S. \$8.3 billion, but imports increased by only 3 per cent to U.S. \$6.9 billion. The over-all balance of international payments registered a record current account surplus of U.S. \$745 million. The Japanese economy is geared to foreign trade and the country has made outstanding progress in this field. Both imports and exports are largely handled by Japanese trading firms and these firms now have branches throughout the world.

Trade missions, Japanese trading ships and caravans are continuously

seeking orders in all market economy countries. In markets where state trading is the rule, frequent official missions with strong representation from Japanese trade and industry seek orders for Japanese products. This global approach to trade promotion has succeeded in steadily increasing export trade.

Japan's leading trading partners and the products exchanged (on a customs clearance or c.i.f. basis) are shown in Table I.

The problems that Japan is facing stem largely from the high rate of economic growth. This is not unique and the Japanese are moving to correct such problems as too much investment in plant expansion, excessive borrowing, over-use of instalment credit, and over-production. The Government, industrial and business firms have moved with dispatch to rationalize industry by mergers and improvement to plant and equipment. Through the budget the Government has also

acted to stimulate demand by a number of fiscal measures. The budget for the fiscal year 1966 (ends March 31, 1967), provides for expenditures of Yen4,310 billion. This is being financed in part by the flotation of Yen730 billion government bonds. Tax cuts totalling Yen360 billion are also to be introduced during the current fiscal year. Japan has thus abandoned the traditional balanced-budget principle in an effort to meet current problems.

Two factors have made a significant contribution to Japan's postwar economic progress. One is the high degree of social discipline and the establishment of effective machinery for co-ordination of economic planning by government and private enterprise. Export trade continues at a high level, the public debt is minimal, and the rate of saving is satisfactory. All this, accompanied by a high rate of productivity and increased technical skills and knowhow, ensures steady economic progress in the years ahead. ●

Trading with Japan

Trade between Canada and Japan is coming more closely into balance; prospects are for larger Canadian exports in last half of this year as Japan recovers from current recession.

R. A. FOOD, *Assistant Commercial Secretary, Tokyo.*

THE Japanese recession has led to a sharp drop in Canadian exports to this market. In 1965 our total sales reached Can. \$316.2 million, compared with \$330.2 million in 1964, a decrease of \$14 million from 1964's record figure. In the light of January to September figures (see Table II on page 8), it is expected that complete commodity returns will reveal substantial decreases in shipments of wheat, newsprint, asbestos, and ores and concentrates of copper, lead and zinc.

On the other hand, Japanese exports to Canada have moved ahead rapidly and based on January to October figures (Can.\$184.3 million), for the full year 1965 should approx-

imate Can.\$236 million (Japanese statistics giving Can.\$232 million support this projection). This represents an increase of 35 per cent over 1964, which was itself 30 per cent higher than 1963. Consequently the balance of trade in Canada's favour, which as recently as 1963 was Can.\$165.5 million, will have been cut by more than half (to about Can.\$74 million) by 1965.

Why Exports Declined

The decline in Canadian exports to Japan resulted largely from the 1965 economic recession. Reduced investment in plant and equipment and cut-backs in production were translated

into sharply lower requirements for imported raw materials. At the same time, stagnant domestic demand, excess capacity, and large inventories of finished goods encouraged aggressive promotion of export sales.

Outlook Is Encouraging

The Economic Planning Agency, a Japanese Government entity, estimates that in 1966 foreign trade will advance by approximately 10 per cent. Exports should rise 10½ per cent to U.S.\$9.4 billion, and imports are expected to rise about 9½ per cent to U.S. \$7.6 billion. A number of key economic indices are now signalling that the depth of the recession is past, with recovery expected during the latter half of the year. Production is now increasing and finished goods inventories, if not actually falling, are stabilizing. Most important for Canada, stocks of industrial raw materials held by manufacturers have fallen in each of the last three months. The

TABLE I
CANADIAN-JAPANESE TRADE*

Year	Canadian Exports to Japan	Japanese Exports to Canada (Can.\$)	Total
1955	90,892,524	36,718,106	127,610,630
1956	127,869,807	60,826,294	188,696,101
1957	139,151,938	61,604,709	200,756,647
1958	104,890,593	70,215,591	175,106,184
1959	139,856,815	102,669,366	242,526,181
1960	178,858,522	110,382,498	289,241,020
1961	231,574,353	116,607,360	348,181,713
1962	214,573,193	125,358,920	339,932,113
1963	296,009,645	130,471,048	426,480,693
1964	330,234,303	174,380,781	504,615,084
1965	316,200,000	236,000,000 (est.)	546,000,000 (est.)

*DBS statistics.

outlook for Canadian exports in 1966 is therefore encouraging, with the extent of improvement directly dependent upon the degree and rapidity with which the Japanese economy responds to corrective measures taken by the Government.

New Export Developments

Even if traditional exports from Canada do not increase as expected, new items in the trade should add to the total. For example, the British American Oil Company Limited is scheduled to begin shipments of liquefied petroleum gas to the Nikko Liquefied Gas Company in the fall. The contract calls for delivery of 28 million barrels of propane over a 10-year period, worth from \$5 million to \$6 million a year. In addition, there are indications that potash shipments will increase considerably and prospects for an early breakthrough into the substantial Japanese sulphur market are more encouraging.

Of the traditional products, the substantial inventories of lumber have been pared and the outlook for hemlock, required for the expanded public works program in response to the need for housing, is particularly good.

Good Market for Minerals

Deliveries of copper ore and concentrates from Craigmont Mines, interrupted since September 1965 by a labour dispute, will probably be resumed. The establishment of a joint COMINCO—Mitsubishi Metal Mining lead refinery in Japan will provide

TABLE II
LEADING CANADIAN EXPORTS TO JAPAN

Commodity	1963	1964	Jan.-Sept. 1965
	(Can.\$'000)		
Wheat	95,588	105,170	62,947
Wheat flour	773	114	49
Hides & skins	1,968	1,832	2,495
Flaxseed	13,536	12,244	10,205
Rapeseed	12,259	6,924	10,025
Iron ores & concentrates	20,295	18,270	14,200
Scrap iron & steel	6,547	5,505	524
Aluminum (all basic forms)	10,582	13,561	8,419
Copper (all basic forms)	31,750	36,472	23,237
Brass & bronze scrap	2,500	2,675	1,969
Nickel (all basic forms)	3,381	5,647	4,530
Zinc (all basic forms)	871	5,436	307
Lead (all basic forms)	1,338	2,412	1,455
Coal	7,424	9,198	7,601
Asbestos (all forms)	8,334	10,628	4,677
Lumber (all species)	19,792	16,802	10,236
Wood pulp (all forms)	20,136	23,481	18,936
Newsprint	6	8,311	891
Tallow inedible	1,367	1,622	1,522
Chemical fertilizer	6,486	8,081	6,277
Plastic & synthetic rubber	2,675	3,391	2,221
Card punch machines, computer parts	3,713	5,463	2,905
Sub-total	271,281	303,238	195,628
Other items	24,729	26,996	27,546
Total	296,010	330,234	223,174

a market for Pine Point, Northwest Territories, lead concentrates (about 50,000 tons per year).

British Columbia's stake in the Japanese market will be further enhanced as 1966 witnesses the first shipments of ores and concentrates from a number of significant mining properties. Current plans are for deliveries to commence from, among others, Wesfrob Mines (900,000 to 950,000 tons of iron ore concentrates per year), Orecan Mines (150,000 tons of iron ore concentrates per year), Granisle Copper Company (10,000 tons contained copper concentrates per year), Minoca Mines (75,000 tons copper-silver concentrates per year), and Endako Mines (1.8 million pounds of contained molybdenum ore per year).

TABLE III
LEADING JAPANESE EXPORTS TO CANADA

Commodity	1963	1964	Jan.-Sept. 1965
	(Can.\$'000)		
Tuna, canned	1,791	1,780	1,799
Oranges, mandarines, tangerines, fresh	2,187	2,050	....
Lumber, mahogany	1,308	1,530	1,354
Plywood	3,626	6,043	3,775
Textile materials, yarns, fabrics, synthetic, wool, cotton	17,128	27,186	30,071
Basic steel products in primary forms (bars, rods, plates, sheets)	7,277	10,788	15,109
Oilfield pipes & tubes	3,177	7,684	3,564
Wire and wire ropes	2,281	4,282	3,389
Motor vehicles including motor cycles & related parts	1,159	4,150	14,974
Wire & tape recorders	....	1,957	2,101
Radio receiving sets, transistors	5,334	6,074	5,141
Footwear	5,375	6,904	4,552
Cameras & accessories	3,315	3,889	2,910
Sewing machines	1,845	2,321	1,637
Sub-total	55,803	86,638	90,376
Other items	74,668	87,743	75,571
Total	130,471	174,381	165,947

Finally, although deliveries probably will not be made until 1967, Canal Developments Limited (a joint venture created by Crestbrook Timber Ltd., in partnership with Honshu Pulp and Paper and Mitsubishi Shoji Kaisha of Japan) announced last fall that it would begin building in March of this year the first stage of a \$35 million, 385 tons per day sulphate pulp mill to supply Japanese and North American markets.

The year 1966 should be a significant one, therefore, because we expect to witness the recovery of the Japanese economy from the recession. Canadian exports to this market should move forward to new records in the second half.

Japanese Sales to Canada

The composition of Japanese exports to Canada has been changing in the last few years. The dominant position traditionally held by light manufactures is now being challenged by heavy chemical and industrial

products. From 1962 to 1964 the percentage of Japan's total exports to Canada consisting of the former declined from 58 to 52 per cent, but the latter increased from 33 to 41 per cent. Textile imports, including yarns, fabrics and clothing, still head the list of individual items and in 1964 approximated Can.\$44 million. However, the most rapid growth (1962-1965) has been in the following areas (1964 figures shown):

● **Iron and steel products**, including bars and shapes, rods, plates, sheets, pipes and tubes, and wire ropes (\$24 million). With Canadian steel mills working to capacity, much of this imported steel was destined for Western Canada. In particular, the pipe and tube mills were supplying the expan-

sion requirements of the oil and gas transmission companies.

● **Machinery and equipment**, including sewing machines, tape recorders, radios, electrical and electronic equipment (\$31 million).

● **Motor vehicles** (\$4.5 million). Both Nissan Motor Co. Ltd. and Toyota Motor Co. Ltd. have expanded their marketing facilities in Canada. There are also long-term plans to assemble certain Japanese makes of cars in Nova Scotia.

Complete 1965 statistics will reflect the above trend, which may well continue. The recent successes of Japanese heavy industrial manufacturers in the supply of buses, turbines, intake gates and transformers provide examples.

Trade between Canada and Japan holds much promise for the future. The economies of the two countries are for the most part complementary and geography makes Japan Canada's closest overseas Pacific Rim neighbour. It is not surprising that Japan is consistently our third largest individual export market (after the United States and Britain), and that Canada continues to rank as one of Japan's "top ten" markets. With increasing prosperity in Japan, the range of Canadian exports will probably expand but their basic composition is not expected to change much. As Japanese industrial production increases, we may be confident that Canada will participate as a major supplier of the expanding requirements of industrial materials. ●

Exports rising rapidly, Japanese influence growing

South Korea Makes Good Progress

R. A. FOOD, *Assistant Commercial Secretary, Tokyo.*

THINGS are happening in South Korea. Perhaps the best evidence of this is the startling rise in 1965 exports—up 48 per cent to U.S.\$184.5 million. In absolute terms, this figure is perhaps not too impressive, but it is nevertheless in sharp contrast to total exports of U.S.\$16 million recorded as recently as 1958, and exceeds by nearly 7 per cent the not unambitious target for the year of U.S.\$170 million.

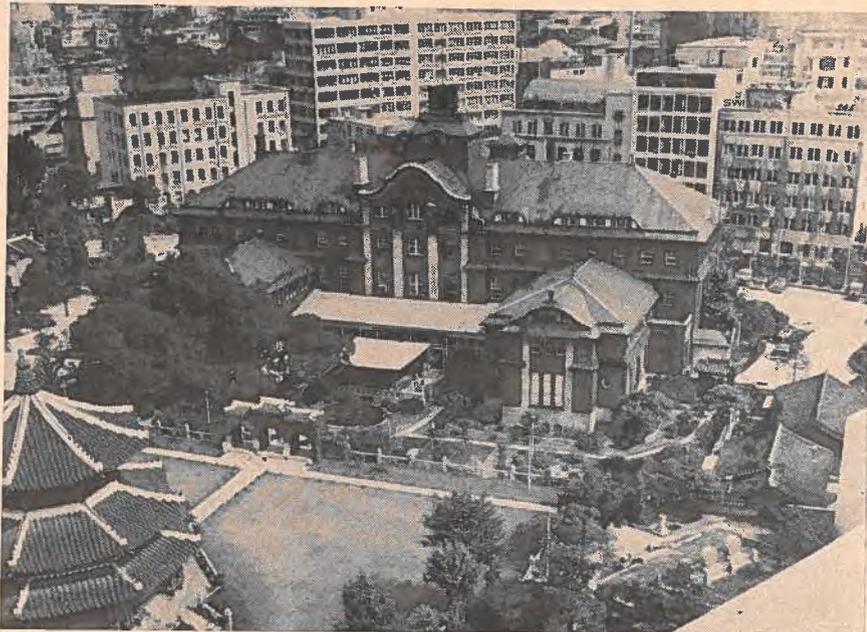
From 1910 until 1945 Korea was under Japanese administration and estimates are that Japanese capital accounted for more than 90 per cent of the equity in Korean manufacturing enterprises. During this period heavy industries (including electrical generating capacity) were attracted to the northern region in response to the mineral resources there (silver, gold,

iron, tungsten, molybdenum). The southern half of the Korean peninsula remained primarily agricultural, with a sprinkling of related light industries (food processing, cotton spinning). The 1945 division into North and South Korea resulted in obvious economic dislocations and the Korean War (June 1950 to July 1953) took an even greater toll.

Foreign aid has played a large part in subsequent reconstruction and development, with the U.S. contribution the most noteworthy. Currently, U.S. aid grants (support assistance) average U.S.\$65 million a year, with an additional U.S.\$50 million worth of surplus farm products delivered annually under PL-480. (The 1966 deliveries, just announced, call for U.S.\$40 million worth of cotton and U.S.\$12 million worth of wheat.)

In 1964, some 55 per cent of the population was engaged in agriculture. Because of the mountainous terrain, however, farm land represents a mere fifth of total land area. Small plots, inadequate implements, and insufficient fertilization have resulted in unsatisfactory yields. This sector, however, occupies such a dominant position that fluctuations in output have a marked effect on gross national product. Rice is the most important crop, followed by wheat, barley, maize, and various legumes.

The fisheries industry is also important, both as a foreign exchange earner and as a source of protein for domestic consumption. In 1964 (1965 figures not available) the catch totalled approximately 520,000 metric tons. Exports of fisheries products in 1965 were worth some U.S.\$25 million, a sharp increase over 1963's U.S.\$14.7 million.



The Victorian elegance of the Chosun Hotel in Seoul represents the old Korea: the buildings back of it typify the new and progressive milieu of business today.

Industrial Development

Korea's First Five Year Plan (1962 to 1966) stressed the securing of adequate energy resources (electricity and coal), expansion of railways and ports, development of key industries (cement, fertilizers, iron and steel), and improvement of the agricultural and fisheries sectors. All these sectors have seen considerable advances. In 1964 four thermal electricity generating plants came on stream and early last year two additional electric power installations (including the Chunchon hydro development) began operations, raising installed capacity to 716,000 kw. Coal production expanded by 80 per cent—from 5.35 million tons in 1960 to 9.6 million in 1964. Construction of industrial spur lines and the delivery of 30 diesel locomotives have improved railroad operations. Three new cement plants (combined annual capacity 950,000 tons) and the first Korean petroleum refinery (daily capacity 35,000 barrels) came into production in late 1964. Steel production now totals about 160,000 metric tons a year. Two large fertilizer plants now in operation and two more under construction will boost Korean production to 368,000 metric tons, meeting the bulk of domestic requirements. The textile industry, however, re-

mains the largest, accounting for 20 per cent of Korea's exports.

The performance of the Korean economy under this Five Year Development Plan has led logically to the proposal of a second Adjustment Plan for 1967 to 1971. This new program calls for an average annual economic growth rate of 6 to 7 per cent, self-sufficiency in food, and continued establishment and modernization of heavy industries, in particular iron and steel, chemicals, and machinery and equipment. It seeks in addition to boost annual exports from the current U.S.\$184 million to U.S.\$550 million, to reduce unemployment from the current 14 per cent to 10 per cent, and to raise substantially the per capita annual income (now about \$90).

Relations with Japan

In December 1965, a formal exchange of treaty ratification instruments restored Japanese-Korean diplomatic relations. This has opened the door to Japanese businessmen anxious to trade with and invest in Korea, and Korea's economic development will be aided by the receipt of U.S.\$800 million from Japan over a period of ten years. Under the property rights claims and economic co-operation agreement, Japan is to provide U.S.\$300 million

in grants for raw materials and public works projects, U.S.\$200 million in government-to-government loans for additional infrastructure, and U.S.\$300 million in commercial credits to various private industries.

Japanese and Korean government and business leaders are in continual contact over this agreement. The Japanese Ministry of International Trade and Industry (MITI) has already approved five industrial projects (a 250,000 ton per annum urea plant, a 1,200 ton per day cement plant, a 20 ton per day vinyl chloride plant, a 60,000 ton per annum cold strip mill, and a 6 ton per day acrylic fibre plant). These represent in plant and equipment alone some U.S.\$60 million. Other industrial projects in iron and steel, vehicle assembly, chemicals, and textiles are reported concluded and pending MITI's sanction.

Economic Performance

A revised estimate of the 1964 gross national product indicated a value of U.S.\$2.2 billion, based on the post-May 1964 exchange rate, or in real terms an 8 per cent advance over 1963. It is expected that the 1965 statistics will reveal a similar rise. During the four years from 1960, the industrial production index recorded an average annual increase of 12 per cent. Even that performance was surpassed during the first nine months of 1965, when manufacturing chalked up a gain of 18 per cent over the same period of 1964. The opening of a new cigarette plant, considerable business arising from Viet Nam, and larger shipments of textiles, clothing and plywood all contributed.

Inflation, which during the 1961-64 period pushed prices up by 100 per cent, was at least kept down to a more manageable 7 per cent (wholesale) and 10 per cent (retail) in 1965. Korea's foreign exchange holdings, usually a matter of concern, have increased and as of November 30, 1965, totalled U.S.\$133 million.

Foreign Trade

Korea's total exports in 1965 reached U.S.\$184.5 million, up 48 per cent over 1964 and exceeding the U.S.\$170 million target by 6.6 per cent. Of this, 62.3 per cent was contributed by manufactured products, 15.3 per cent by minerals, 13.7 per

FOREIGN TRADE

TABLE I
KOREAN EXPORTS BY COMMODITY GROUPS

	1960	1962	1964	1965
	(U.S.\$'000)			
Food and live animals	9,701	21,814	26,350	29,621
Beverages and tobacco	451	141	184	2,397
Inedible crude materials	15,816	19,372	31,442	40,067
Minerals fuels	1,147	2,760	2,488	2,215
Animal and vegetable fats and oils	199	69	88	53
Chemicals	401	990	630	855
Manufactured articles classified by material	3,937	6,177	42,310	64,424
Machinery and transport equipment	88	1,446	2,204	4,373
Miscellaneous articles	1,088	2,011	13,361	40,495
Total	32,828	54,780	119,057	184,500

TABLE II
KOREA'S LEADING MARKETS

	(U.S.\$'000)
United States	62,500
Japan	47,219
Viet Nam	16,280
Hong Kong	11,082
West Germany	5,282
Sweden	5,054
Thailand	4,284
Netherlands	3,875
Britain	3,619
Canada	2,808
Belgium	2,627
Singapore	2,327

cent by fisheries products, and 8.7 per cent by agricultural products.

The proportion of industrial products to total exports continued to increase. Shipments of manufactured goods have multiplied by 10 times during the past three years and a variety of Korean products—from nylon stockings to transistor radios—are now found in many countries.

North America and Europe continued to take the larger share of Korean exports, and Asian countries proportionately a smaller share. Leading customers in 1965 (preliminary statistics) are given in Table II.

Preliminary statistics indicate that 1965 imports reached a total of U.S.-\$411 million (U.S.\$279 million on a commercial basis, and U.S.\$132 million aid-financed). The chief over-all supplier was the United States, with an approximately 40 per cent share of the total market (down from 50 per cent in 1964). The U.S. penetration has been largely supported by its virtual monopoly of aid-financed imports. In the competitive sector—imports purchased on a commercial basis with Korean foreign exchange (KFX)—the U.S. share fell from 21 per cent

in 1964 to 12 per cent in 1965. Primarily responsible was the intensified competition from Japanese manufacturers, who captured well over 50 per cent of the KFX market, or about 38 per cent of the over-all market, as opposed to 25 per cent in 1964.

Canadian-Korean Trade

During the first eleven months of 1965, Canadian exports to Korea were down 15 per cent from the previous year to Can.\$807,000. Not surprisingly, our exports consisted primarily of foodstuffs (wheat and wheat flour) and industrial raw materials (newsprint, wood pulp, asbestos, lead, nickel and flaxseed). It is interesting to note, however, that commercial communication equipment and wire rope were also included.

Second International Management Course

BUSINESSMEN engaged in international operations will be interested in the second International Business Program being offered by the University of Western Ontario, June 18 to July 2. The course is designed for men at the executive level concerned with policy and strategy in organizations engaged in international business.

The purpose of the program is to provide participants with an understanding of the international economic environment in which they operate and of the internal problems peculiar to international operations. The general topics to be discussed are the economic environment, finance and taxation, marketing, and general management.

The chairman of the course is Dr. D. S. R. Leighton, professor of business administration at the host university.

On the other hand, Canadian imports from Korea for the ten months ended October 1965 totalled Can. \$1,220,000, more than 200 per cent above the corresponding period of 1964. They consisted of textiles, cotton cloth, clothing, rubber footwear, and cutlery.

A recent (February 1966) announcement by the Korean Government on imports of commodities essential to the Korean economy may interest Canadian exporters. Among other things, the plan adopted provides for the import with Korean foreign exchange of the following commodities that Canada should be in a position to supply.

Item	Quantity	Value
	(cubic metres)	(\$'000)
Lumber	1,143,700	40,497
	(metric tons)	
Iron sheet	51,500	5,150
Steel angles	11,500	1,600
Caustic soda	9,000	855
Soda ash	26,000	1,456
Nylon yarn	780	1,200
Viscose rayon yarn	7,095	6,244
Acetate rayon yarn	5,007	5,007
Newsprint	4,000	600
Scrap iron	111,000	5,328
Pulp for newsprint	17,200	2,000

In summary, although immediate sales will not be spectacular, Canadian exporters should keep an eye on the fast developing Korean economy and its expanding market. ●

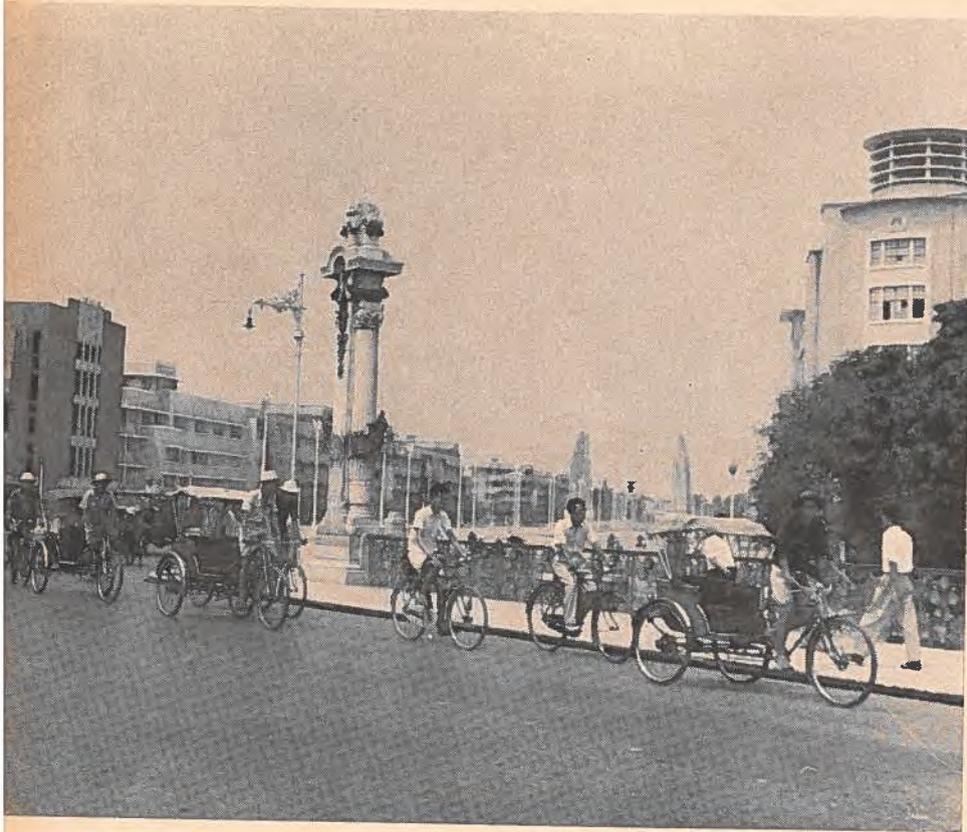
He has under him a faculty of well-qualified experts in the fields of international business and management.

Companies wishing to send representatives should note that the Admissions Committee may limit the number enrolled from any one firm. The Committee is trying to select a group representative of all aspects of Canadian business.

The fee for the course is \$600 per person and applications are due by May 2, 1966. For application forms and further information contact:

The Course Administrator,
International Business Program,
School of Business Administration,
University of Western Ontario,
London, Ontario. ●

Thailand's Economic Boom Continues



The three-wheeled bicycle taxis are still a familiar sight on the streets of Bangkok. Thailand has one of the soundest economies in Southeast Asia and its big import demand and rapid development mean interesting sales opportunities for Canadians.

J. H. BAILEY, *Commercial Counsellor, Singapore.*

THAILAND, with a population of 30 million, has one of the soundest economies in Southeast Asia and, barring any major increases in political tensions, there is no reason why this buoyant condition should not continue in the years ahead. Some of the economic indicators highlighting the strength and growth of the Thai economy are:

- A 6.3 per cent increase in 1965 in the output of agriculture, on which 80 per cent of the population still depends and from which over 35 per cent of the national income is derived.
- An average annual increase of 8 per cent in industrial production.
- An increase in foreign exchange reserves to \$638.6 million at the end of last September, 8.3 per cent over the previous year. This increase (86 per cent since 1960) results mainly from foreign capital assistance and investment, as imports (worth \$712 million in 1964) slightly exceeded total exports (\$693 million).
- The Government's total internal debt of \$940 million is only slightly more than its annual revenue, which has been running at over \$440 million a year since 1962. Thailand's external debt and obligations guaranteed by the Government amounted to only \$229 million at the end of last June.
- The cost of living average has declined slightly during the past few years (mainly because of lower prices for milled rice and steamed platu). During 1964, the wholesale price index dropped by 5.95 per cent but preliminary figures for 1965 show that it is now moving sharply upwards.

Steady Rise in Imports

Most important—particularly for Canada's trade prospects—is an increase in imports at the rate of over 10

FOREIGN TRADE

per cent a year since 1958. Most businessmen and bankers believe that this growth rate will continue during 1966. Table I indicates the way in which imports in all the major categories have risen during the past two years.

Machinery and manufactured goods made up over 68 per cent of total imports in 1964. In addition, a large proportion of the food imports were in processed form, including flour, canned goods, powdered milk, and frozen foods. Imports of secondary manufactures thus constituted well over 70 per cent of all imports, or in terms of value, were worth more than U.S.\$500 million. When it is realized that import licences are required for only 75 items (see the following article), it is easy to understand why Bangkok is full of salesmen from Japan, the United States, Britain and West Germany. Using aggressive sales promotion with good shipping facilities and competitive prices, these countries have captured two thirds of the Thai market for manufactured goods.

Industrial Development Stressed

At the beginning of this decade, the Government of Thailand produced an economic development plan which was divided into two phases: the first ran from 1961 to 1963 and the second from 1964 to 1966. (See Table II.) The first phase was completed with good progress towards the over-all objectives. The second phase is well under way; its major goal is to increase the per capita real income at the rate of not less than 3 per cent a year. Aware of the risks involved in Thailand's dependence on rice, the Government has been persistently seeking ways to diversify the economy. It has been emphasizing more private industrial development (it is now only about 13 per cent of the national output),

and increased government expenditures in the public sector on power, irrigation, communications, agricultural diversification and social services.

Industrial investment in the private sector has totalled about \$122 million during the past five years. Of this, domestic investment accounted for about 70 per cent and foreign 30 per cent. Japan, the Republic of China (Taiwan), and the United States have made the largest contributions—\$19.0 million, \$7.1 million and \$5.3 million, respectively. These investments have been made in 316 industries, such as cement, steel products, bags, television assembly, milk products, automobile and farm equipment assembly plants, paint, plastic pipes, hotels, pharmaceuticals, batteries, soft drinks, and so forth. The Government encourages new industries with inducements under the Industrial Promotion Act of Thailand (first passed in 1954 but since amended to make it more attractive). The act permits exemptions from or reductions of import duties on the purchase of plant equipment and materials; exemptions from or reduc-

tion of taxes for specific periods of time; repatriation of capital, profits or interest, and the admission of skilled workers or technicians. It appears likely that domestic and foreign investment will continue at its present rate.

In the public sector, investments during the 1964-66 period are expected to exceed \$1 billion, (an increase of more than 70 per cent over the \$583.7 million of 1961-63), divided as shown in Table II.

Opportunities for Canadians

The best opportunities for Canadian participation lie in providing equipment for electric power, transportation and communications developments, which represent investments of \$436 million. Of this amount, the Thai Government will finance approximately two thirds; long-term credits and grants will be required for the remainder.

Assistance has already been granted by some foreign countries, notably Germany, which recently strengthened its bid to get more contracts by signing long-term credit agreements. For example, on September 29, 1965, the Government of Thailand and Germany's Credit Institution for Rehabilitation (Kreditanstalt für Wiederaufbau) signed a loan agreement for \$5.7 million for 20 years at 4.5 per cent interest. This was for construction of a telecommunications project. On October 27, the Governments of Thailand and West Germany signed an agreement whereby the latter granted a loan of \$5.0 million for the Nom Pong dam project, including \$2.7 million for transmission equipment.

Therefore, Canadian firms interested in supplying equipment for the public sector should be prepared to offer credit terms competitive with those of other suppliers. In addition, because all government requirements (except those negotiated on tied credits) are filled by public tender, first class agents with good government contacts and technical knowhow are essential. There are a number of such agencies in Thailand and the Canadian Government Trade Commissioner in Singapore will be pleased to provide names on request.



TABLE I
IMPORTS INTO THAILAND

	1963 (millions U.S.\$)	1964	Increase (per cent)
Miscellaneous foods	40.6	43.8	7.9
Beverages and tobacco	7.2	9.1	26.2
Raw materials	11.2	14.1	26.0
Petroleum products	61.0	72.9	19.6
Oils and fats	0.9	1.7	89.0
Chemicals	62.1	74.3	19.6
Machinery	195.2	226.0	15.5
Manufactured goods	243.8	251.6	3.2
Other	18.1	19.1	5.3
	640.1	712.6	11.1

TABLE II
THAILAND'S ECONOMIC DEVELOPMENT PLANS

	1964-66		1961-63	
	\$'000	Per cent	\$'000	Per cent
Agriculture and co-ops	148.7	14.7	82.4	14.1
Industry and mining	59.8	5.9	48.2	8.3
Electric power	89.9	8.8	117.0	20.0
Transportation and communications	350.2	34.5	158.3	27.1
Education and health	139.1	13.8	53.8	9.2
Social services	187.3	18.4	86.1	14.8
Miscellaneous	40.0	3.9	38.0	6.5
Total expenditures	1,015.0	100.0	583.8	100.0

Economic expansion has brought upsurge of imports into this largely unrestricted market. Canadian sales too are rising; more exporters should study the varied opportunities presented there.

J. H. BAILEY, *Commercial Counsellor, Singapore.*

THE buoyant and expanding economy of Thailand, described in the preceding article, has resulted in an upsurge of imports from all the major industrial countries of the world. Canadian exports to Thailand have benefited from this trend but our share of this \$700 million market still remains minimal, as Table I indicates.

above products, however, are generally granted freely, and all other imports enter unrestricted.

As a guideline to whether or not consumer products from Canada can compete in this market with products from Japan, the United States and Europe, Table II gives some examples of retail prices taken down at random during a visit to Bangkok in January 1966.

Canadian manufacturers whose prices can compete on a laid-down basis with those of the listed products (prices of other products available on request) should begin to give serious thought to penetrating this lucrative market. Care should be taken, however, in calculating c.i.f. prices because one of the main difficulties facing Canadian suppliers to this market is high freight rates. In addition, practical experience has shown that infrequent sailings and large minimum requirements for refrigerated space also handicap Canadian exporters.

Tariff Rates Vary

As for customs duties, imports from Canada face the same tariff barriers as products from any other country. Full information on rates on specific products may be obtained from the Asia and Middle East Division of the Office of Trade Relations, Department of Trade and Commerce. These rates range from nil on basic materials up to rather high duties on luxury goods. A few examples are:

Fertilizer	—Free
Zinc	—10 to 20 per cent
Lead	—10 to 30 per cent
Softwood lumber	—10 per cent
Aluminum (semis)	—10 to 30 per cent
Plywood	—30 per cent
Building board	—30 per cent
Newsprint	—\$1.65 per kilo
Whisky	—\$5.00 per litre

Finally, in estimating the ultimate retail price of Canadian products compared with those shown in Table II, it should be noted that the usual commission paid to agents handling goods for

Thailand Offers Attractive Market

Import licences are required for only some 60 items, comprising goods also produced in the country. Most of these are agricultural or exotic products not exported by Canada, such as coconut oil, bamboo hats, joss sticks, swallows' nests, tea, coffee, etc. The only restricted items that might be of interest to Canadian exporters are students' exercise books, printing and wrapping papers of certain weights and dimensions (for example, newsprint with weight from 56 to 120 grams per square metre), enamel ironware, some stationery items, acetic acid, plywood and fibreboard. Licences for even the

TABLE I
IMPORTS INTO THAILAND

From	1958 (millions of U.S.\$)	1964	Market share (per cent)
Japan	94.5	235.2	33.0
United States	70.9	115.0	16.1
Britain	43.5	66.3	9.3
Germany	27.0	54.7	7.7
Netherlands	20.8	25.3	3.6
Australia	2.4	16.9	2.4
Italy	4.4	12.8	1.8
Canada	1.3	3.5	0.5
Others	147.0	182.9	25.6
Total imports	411.8	712.6	100.0

TABLE II
RETAIL PRICES IN THAILAND

	Country of Origin	U.S.\$
Food and Beverages		
Danish canned ham, 2 lb.	Denmark	4.25
Maxwell instant coffee, 6 oz.	United States	1.50
Kellogg cornflakes, 6 oz.	United States	0.43
Del Monte salmon, 7½ oz.	United States	0.63
Del Monte salmon, 1 lb.	United States	1.55
Libby's pink salmon, 7½ oz.	Canada	0.53
Del Monte pickles, 1 pt. 6 fl. oz.	United States	0.98
Heinz baked beans, 4½ oz.	United States	0.48
Libby's tomato juice, 1 qt. 14 fl. oz.	United States	0.70
Kraft Miracle Whip	United States	0.95
Seagram's V.O., 26 oz.	Canada	8.00
Log Cabin syrup, 12 oz.	United States	0.80
Swan's Down cake flour	United States	0.40
Appliances and Hard Goods		
G.E. iron, Model F-54	United States	8.50
Morphy-Richards iron	Britain	8.00
Electrolux 5.7 c.f. refrigerator	Switzerland	315.00
Osva gas stove, 3-burner	Italy	105.00
Allen "Challenger" rotary power lawnmower	Britain	355.00
Suffolk 16" hand lawnmower	Britain	22.50
Kelvinator 4-burner 19" electric stove	United States	250.00
Clothing		
Arrow shirt	United States	7.50
Ronson shoes	Britain	4.75
Baby rubber pants	Japan	1.25
Baby blouses	Britain	0.75
Child's T-shirt	Britain	1.35
Child's dress	Britain	3.00
Household Furnishings		
Springmaid sheets, 90 × 120	United States	9.00
Lady Pepperell sheets, 81 × 108	United States	6.50
Springmaid pillowcases, pr.	United States	3.25
Birdseye diapers, doz. 27 × 27	United States	4.00
12" pushbroom	Britain	1.15
Chilton cake-mix pans	United States	0.80
Cannon bath towels, 36 × 72	United States	4.25
Miscellaneous		
Lactona toothbrushes	United States	0.75
Colgate toothbrushes	United States	0.50
Somax hacksaw, 12"	Germany	1.75

TABLE III
LEADING CANADIAN EXPORTS TO THAILAND

	1963	1964	1965 Jan.-Sept.
		(Can.\$)	
Wheat flour	811,431	876,881	421,427
Newsprint paper	33,429	8,554	409,240
Asbestos	355,562	352,310	405,000
Zinc	7,212	331,775	368,771
Mutilated newsprint	—	298,112	306,694
Insulated wire and cable	67,294	9,692	266,715
Tire fabrics	—	176,625	240,780
Aluminum	371,598	759,521	222,652
Motor vehicles and parts	79,038	75,526	203,319
Files and rasps	350,382	147,102	189,839
Chemicals, resins, plastics	72,790	105,661	123,763
Wood pulp	—	3,580	105,777
Total exports, including all others	2,822,853	3,803,417	4,001,254

consumers ranges up to 15 per cent and that retailers work on an average margin of 25 per cent.

See for Yourself

The best way to round out a market investigation in Thailand and begin selling there is to make a personal visit to Bangkok. This city, almost exactly halfway around the world from Toronto, is served by a number of international airlines going over either the Atlantic or the Pacific. Once in Bangkok, it is possible to size up the market potential for any particular product and, if it seems promising, to appoint an agent forthwith. There are thousands of these, ranging from the giant European trading houses (which have to be sold on the idea of handling North American products because most of them are still oriented towards Britain and Europe) handling hundreds of products from sulphur to whisky to the smaller but aggressive Thai firms which are a growing force in this thriving market.

In the table of Canadian exports to Thailand (Table III), only the major exports are shown. Based on past experience, there are about 150 items that we sell there, ranging from baby chicks, pickles and infant foods to chain saws, washing machines, and aircraft engines. Our exports to Thailand reached \$5.6 million last year compared with \$3.8 million in 1964 and during the current year, the figure should rise further. Our participation in the first Asian International Trade Fair in Bangkok next fall should help. It is our hope that, because of the absence of restrictions in Thailand, both traditional and new exporters will find it possible to share in the expansion of our shipments to this important market.



Dutch Retailers Disappearing

REMEMBER the neighbourhood grocery store? No? The Dutch too are beginning to forget it. Small retailers of almost every type are gradually losing out to supermarkets and chain stores. The hardest hit have been the grocers, butchers, bakers and smoke-shop owners. During six months of last year, 2,700 retail stores closed down. The only retail outlets on the increase were those offering liquor, furniture and hardware. ●

Singapore Attacks Housing Problem

This island state has succeeded remarkably in alleviating the acute shortage of low-cost housing. This program provides few opportunities for Canadians, but allied municipal services and industrialization projects may offer some prospects for export sales.

F. M. MULKERN, *Assistant Commercial Secretary, Singapore.*

BUILDING at the rate of one new housing flat every 45 minutes, Singapore's Housing and Development Board has relocated 450,000 people—or one quarter of the Island's entire population—over the period 1960-1965. The first phase of this ambitious undertaking was completed on schedule and within the estimated budget—an outstanding achievement of which the people of Singapore and their Government are justifiably proud.

How was this feat accomplished? The answer lies primarily in the ability of Singapore's people and their determination to overcome the problems confronting this multi-racial society. For example, in 1960 this island state, with a yearly natural population increase of 3.6 per cent coupled with a 1 per cent rate of increase in immigration, had one of the highest rates of population growth in the world. Yet productivity and income have consistently outstripped the population increase. (In the last two years, however, economic growth has not proceeded as rapidly, primarily because of the Indonesian confrontation and Singapore's separation from Malaysia.) Nevertheless, Singapore continues to have the second highest per capita income in South East Asia. (Japan has the highest.)

Development Plan Pushed

When Singapore obtained internal self-rule in 1959, its first Prime Minister was elected on a platform which committed his government to the establishment of better living conditions and the fostering of economic growth. He and his housing authorities

have made good on this commitment. The Government has followed its first development plan closely, with its emphasis on infrastructure such as sewerage projects, industrial estates, electrical installations, communications and port development, in an effort to build for sustained prosperity.

The accomplishments in public housing are much more dramatic when compared with the number of housing starts made in the 30 years before 1960. Under the colonial housing authority, the Singapore Improvement Trust, 23,000 units were built from 1927-1957—a rate insufficient to cover annual population growth, let alone ease growing slum conditions. The 1947 census showed that living conditions on the island were appalling, with many large families crowded into small subdivided rooms. Out of a total of 940,000 people, 680,000 were crowded into the city centre, where density reached 1,000 per acre. Included in this group were an estimated 100,000 squatters.

Project on Schedule

The Singapore Housing and Development Board, established in 1960, thus faced a monumental task. It was agreed that a National Housing Program should provide, within the limit of available resources, as many housing units as possible for those in greatest need. The first Development Plan (1960-1964) provided for the building of 51,000 units at a cost of M\$192.1 million. With the legacy of 23,000 units from the Singapore Improvement Trust, the Government expected to rehouse 450,000 people, or one quarter

of the population, by 1965. In completing the project in record time, the Housing and Development Board achieved an annual building rate of 9.4 permanent dwellings per 1,000. This has been surpassed only by the U.S.S.R. and West Germany, with rates of 14.0 and 10.4. In Sweden, France and the United States the rate is approximately 7.

In planning its construction costs and rent scales, the Board has had to keep in mind that most of the population have incomes ranging from about Can.\$35.00 to \$178.00 per month and that only about 20 per cent of such income is available for accommodation. Three types of units are offered: a one-room apartment (approximately 600 square feet) with a small bathroom and kitchen, renting at Can.\$7.00 a month, a two-room dwelling renting at \$14.00 per month, and a three-room apartment renting at \$21.00 per month. These rents include water and power.

In addition to the impressive speed of this housing program, other factors such as construction costs, urban renewal, long-run city planning, and sociological considerations have also proved significant. In fact, the Singapore experience has been studied by other developing countries with similar problems.

Construction Costs

Experience over the last four years has shown that direct construction costs have averaged Can.\$1.05 per square foot and total cost, including roads, sewerage systems, electrical installations, etc., \$2.10. These figures are startling but the 18- to 25-storey apartments are of light construction in comparison with similar structures in Hong Kong and the Philippines, which must contend with seasonal changes, typhoons and earthquakes.

There is plenty of labour in Singapore and the construction industry



The housing units in the background contrast sharply with the rundown dwellings.

has perhaps the lowest capitalization of any on the island. Major equipment consists of cement mixers, pile drivers and winches. Naturally, the whole range of construction hand tools is used. Reductions in construction costs have been effected through the variation of standard architectural designs, mass production of such items as doors and other wooden fixtures, and the use of locally-produced ceramic brick to eliminate the expense of regular paint jobs. The Housing and Development Board has also developed local granite quarries and gravel pits to supply its contractors. Lumber is obtained from Singapore sawmills, and sand and cement come from Malaya.

The low-cost housing program is directly related to the Government's industrialization program and employment policy. Where possible, secondary manufacturers of products for use in the building trades have been encouraged, through tax and labour incentives, to locate in Singapore. The products that the new plants make include mild steel bars, plywood, plastic sheeting, small diameter PVC pipes, wire nails, bolts and nuts, fabricated aluminum products, galvanized iron sheets and pipes, door locks, water meters, paints, floor tiles and bathroom fixtures. Cement mixers are assembled locally; so are refrigerators

and television sets. Methods of pre-fabrication practised in North America and Europe have not proved to be competitive with the methods now used in Singapore, which take advantage of an abundant supply of labour.

Market for Canadians?

Despite the massive size of the program, the market for Canadian products is limited first, by the large number of items manufactured locally, and second, by the high cost of Canadian products compared with those of certain competitors. For example, carpenter tools are supplied mainly by Japan, West Germany and Britain. With the expansion of municipal services in the city, however, there will be opportunities for Canadian producers of electrical and telephone equipment such as conductors, switchgear, power station equipment, and possibly telephone exchanges. Aluminum ingot, copper tubing and valves will continue to find a market in this area. There may also be opportunities for Canadian consulting firms to participate in projects under international financing.

Future Plans and Problems

The Island's population will pass the four million mark by 1990. It is

on this figure that long-term planning has been based. These plans include:

- **Housing Starts**—These will be stepped up slightly over the rate originally planned for the 1960-1970 period.

- **Satellite Towns**—New satellite towns with populations of not more than 250,000 each will be built in the outlying areas of the city (Jurong, located 20 miles from the downtown area, is a pilot project in this plan. It has its own ancillary services such as schools, theatres, playgrounds, police and fire stations, churches, temples, and a community centre.)

- **Urban Renewal**—A switch in emphasis from peripheral building to urban renewal is expected by 1990; the whole downtown area of Singapore will be demolished, new offices constructed, wider roads will replace present ones, and a new coastal highway will be laid over land reclaimed from the sea.

- **Car Parks**—The large number of motor vehicles on the island reflects the growing incomes of its people, but this in turn will eventually lead to the traffic congestion characteristic of most large cities. Land in Singapore is at a premium and to make the best use of it, the Government plans construction after 1970 of a huge downtown car park capable of handling 15,000 automobiles.

- **Public Transportation**—The problem of faster traffic flow is confounding the experts of Singapore; the high water table of the island presents a formidable barrier to the construction of a subway and a monorail system is considered both costly and unproven. A system of buses, reserved bus lanes and crossovers may become accepted as the most efficient method of intra-city transport.

Singapore has met its problems squarely and the results so far have been impressive. In all probability, it will reach the goals set by 1990. The basic problems that the Housing Board faced in 1960 have been dramatically eased but still remain. But the main point is that Singapore has broken the back of the problem and living conditions have improved significantly. ●

Singapore Expands Its Electrical Generating Plant

Expansion in electrical power for both industrial and domestic use means progress for Singapore. It can also mean export opportunities for Canadian companies supplying electrical distribution and generating equipment who can meet competition.

F. M. MULKERN, *Assistant Commercial Secretary, Singapore.*

SINGAPORE has been moving towards a phase of intensive development largely as a result of the Government's efforts to provide better housing for an increasing population and more industry to give employment. An increase in industrial expansion inevitably results in a demand for more electrical power. Today Singapore's rate of growth in per capita demand for electricity is the highest in South East Asia. The original generating capacity of 5 megawatts in 1926 had risen to 370 megawatts by the end of 1965. Consumption for the year 1962 was 393.0 kilowatt hours per head of population in Singapore, 168.0 in Malaya, 85.5 in the Philippines, 19.4 in Thailand, 10.4 in Indonesia and 10.1 in Burma. Maximum demand has increased from 33 megawatts in 1951 to approximately 180.3 megawatts in 1965; in the same period the number of consumers rose from 50,000 to 147,000. The rate for domestic users is 4 cents Canadian per kwh. and 2 cents per kwh. for large industrial consumers.

The rapid rate of industrialization and housing development over the period is reflected in the fact that the original allotment for electricity had to be increased from Can.\$27.64 million to Can.\$50.37 million. New plants have been built and additions made to the existing installations over the last five years at an impressive rate.

Recent Developments

Of greater interest to Canadian exporters of electrical generating and

distribution equipment are the dramatic developments in the installation of new plants in the above period and plans for similar undertakings in the next few years. Commencing with the building of the five-megawatt St. James station in 1926, all future generating stations have been thermal, using diesel fuel. With the addition of boilers and generators, capacity of St. James was raised to 32.5 megawatts in 1942. The Pasir Panjang A station with a maximum system load of 43.5 megawatts was brought on stream in 1952. However, further additions to the latter raised its rating to 150 megawatts and the St. James station was demolished and rebuilt in 1961 as a standby incorporating six free-piston turbo alternators with a 36-megawatt rating. By this time, Singapore had achieved self-rule and its First Development Plan (1960-1964) outlined measures to foster industry, raise living standards, and place the economy on a more solid foundation. The Government also had to consider how to finance the construction of additional generating capacity and purchase distribution equipment.

Generating Capacity Raised

By 1964 the generating capacity of Pasir Panjang A had been raised to 264 megawatts through the installation of new boilers and generators. The rating of St. James was increased to 58.5 megawatts through the addition of two 11.25-megawatt open-cycle gas turbo alternators. In 1963 work began on the Pasir Panjang B station adjacent to the A station and rated at

an ultimate capacity of 240 megawatts. The first stage, incorporating 120 megawatts, was commissioned in October 1965.

Foreign Competition Stiff

Early in 1962, negotiations with the World Bank began for a loan to cover the foreign exchange cost of the first 120-megawatt stage of Pasir Panjang B. This loan, U.S.\$15 million, was finally arranged early in 1963. International tenders for the plant and equipment were called as the station reached each successive stage of completion. Although a number of Canadian manufacturers were interested in this opportunity, not one succeeded in placing its equipment in this plant; orders were placed in France, Japan, Portugal and Britain. However, the results show the stiff international competition Canadian businessmen face in future projects on this island.

The British consulting engineers, on receiving tender submissions for heavy equipment, suggested that the following firms be awarded the contracts.

- Hitachi of Japan—two 60-megawatt turbo alternators and the auxiliary apparatus.
- Mitchell Engineering Group Ltd. of England—the boiler units, firing equipment and related plant equipment.
- Contrucoes Metalonecnicas Mague S.A.R.L. of Portugal—the overhead travelling cranes.
- Mather Platt (Export) Ltd. of England—the circulating water pumps and pumphouse equipment.

The electrical plant equipment was supplied from a number of sources.

- Hitachi supplied the 66 kv. interconnector transformers.
- Compagnie Générale d'Entreprises Électriques—the 66 kv. main switch-gear.
- Redpath Brown of Britain—the structural steel for the building.
- Associated Electrical Industries of Britain—the 66 kv. lower voltage cable and accessories.

Future Requirements

With demand for electricity increasing in Singapore, the second phase of the Pasir Panjang B station has been started and it is expected that this 120-megawatt addition will be completed before the end of this year. The forecast of electrical demand over the next few years has also necessitated the planning of a new thermal power station at the industrial estate of Jurong. This will ultimately provide an additional 480 megawatts, with the first two generating sets of 60 megawatts each to be in use before the end of 1968. The equipment for the final stage of the B station, with only a few minor changes and the elimination of duplication, will be almost the same as that installed in the original station.

In September 1965, it was decided by the Public Utilities Board of Singapore to go ahead with the first stage of the Jurong thermal power station. As a result, the British consulting engineers Mertz and McLellan requested interested firms to submit their manufacturing qualifications to produce a variety of equipment. This included two 60-megawatt turbo generator sets, two boiler units, the structural house building, and also turbine house cranes, circulating water pumps, boiler feed pumps, high and low pressure piping equipment, and the 66 kv. transformers.

The long-run plan for the Jurong power station calls for an ultimate capacity of 480 megawatts, incorporating four 60-megawatt turbo generators and two 120-megawatt units, with the boilers for these generators and associated equipment. The first stage—consisting of the four 60-

megawatt generators—has been scheduled for completion on a sliding scale, with one unit commissioned each year from 1968 to 1970. Cost projections for this stage show that on completion total value of the project will be in the order of \$117.5 million; this consists of approximately \$75.92 million in foreign exchange and \$41.6 million for local purchase. Reliable estimates of the cost of the second stage, consisting of two 120-megawatt generators, have not yet been made. With the exception of the tenders noted above, the decision to proceed with the other work at this stage is

optional, dependent to a large extent on the economic wellbeing of Singapore and its industrial development.

The important point here is that in the near future there will be opportunities for Canadian firms to supply electrical generating equipment. However, Singapore is a very cost-conscious market and where the Government is concerned, purchase will be made by international tender. The origin of the heavy equipment for the Pasir Panjang B station serves as an indication of the stiff competition that Canadians must face.



Singapore after Separation

ON August 9, 1965, Singapore became an independent state as a result of an agreement by the authorities in Kuala Lumpur and Singapore. At first it appeared that the separation of these two members of the Commonwealth might have a detrimental effect on the economies of both but to date there have been no serious repercussions.

It is true that the mutual imposition of import duties on some products manufactured in the other's territory has meant some disadvantages for individual manufacturers. For example, the Singapore affiliates of two Canadian firms in the automotive and footwear fields have been adversely affected. Nevertheless, the over-all economy of Singapore has not suffered any recession, chiefly because its main strength still lies in its traditional role as an entrepôt for the whole of Southeast Asia. Because two-thirds of this trade is in primary products such as rubber, copra, lumber, pepper, etc., it is readily apparent that any restrictions on goods manufactured locally are not going to be as serious a disadvantage for the economy as a whole as might at first appear.

From the long-term point of view, however, the maintenance of any trade barriers between Singapore and Malaysia is bound to have a depressing effect. Most local businessmen agree that steps

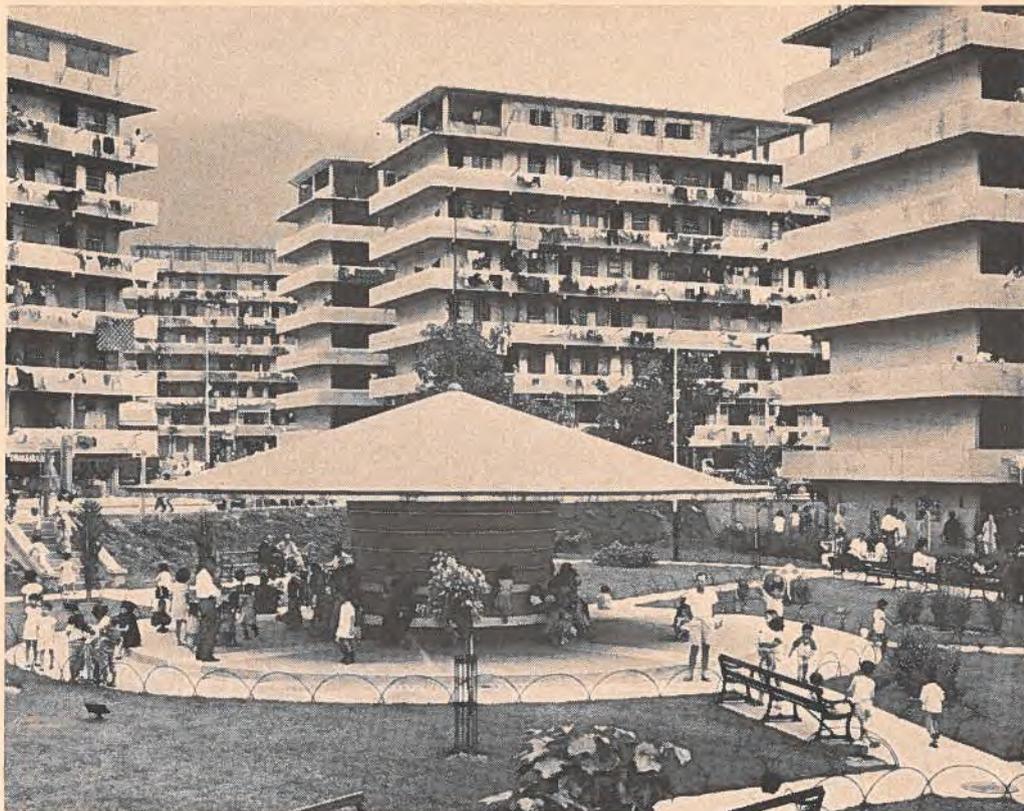
must be taken to expand Singapore's competitive abilities in other markets in addition to Malaysia. Canadian exporters when considering this market are advised to establish their export policies on the basis of Singapore's remaining separate for some time to come from the customs union now under development in Malaysia.

During the first eight months of 1965, average monthly imports of all goods into Singapore were running at the rate of U.S. \$105.1 million (for comparison, the average monthly rate in 1964 was \$96.6 million). For the last four months of the year, following separation, the monthly average of imports totalled \$107.1 million and for January of 1966, \$106.0 million. Thus import activity has actually increased since separation. It therefore seems probable that the volume of imports into Singapore during the current year will not be reduced as a result of the establishment of this island city as a separate country.

As for Canadian exports to Singapore, there is every reason to believe that they will reach at least the same volume as last year. This opinion is based on the fact that total imports into Singapore seem to be unaffected by separation and there is no apparent reason why Canadian exporters should not continue to maintain the same share of this market.

—J. H. BAILEY, *Commercial Counsellor, Singapore.*

The shanty towns that grew up around Hong Kong as immigrants poured into the Crown Colony are being replaced by resettlement estates like this one (called Wong Tai Sin) at Kowloon. Small parks and rest pavilions are an essential part of each highly-populated estate, even though land is scarce.



Last year brought problems, but progress continued in

Hong Kong: a Billion-Dollar Market

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

THE EXPANSION and progress which have characterized Hong Kong in recent years are everywhere evident to the visitor to this crowded and thriving Colony. Those arriving by air can see the construction of expanded accommodation at Kai Tak airport, with its long runway extending into the sea, now needed after only three years of operation. They can also view the changing harbour skyline, with the addition of many buildings and the relentless reclamation of land from the sea. Those arriving by ship will see the enormous modern Ocean Terminal opened in

the month of March. It is capable of berthing the very largest passenger ships as well as providing travellers and local residents with the widest variety of facilities, including a large shopping centre and a number of restaurants. It is the largest such pier in Asia and is equipped for the rapid mechanized handling of cargo.

Those touring the Island, Kowloon and the New Territories on the mainland will note everywhere new high-rise apartment houses going up, plus skyscrapers (among the tallest in Asia) for office accommodation, government-sponsored resettlement hous-

ing developments, factories, schools and enormous public works projects such as the Plover Cove water supply scheme. The harbour continues to be filled with ships, cargo and passenger, from many countries. The volume of visitors by sea and air and the number of aircraft landings have increased substantially.

The metamorphosis of Hong Kong from a relatively quiet trading centre in the pre-World War II days to the major manufacturing, trading and tourist centre of today has been truly amazing. It has resulted from a number of factors; among the most important are the ingenuity of the local businessmen, the availability of

capital and low-cost labour, the *laissez-faire* economy with its low income and corporation taxes and absence of tariffs, and the skills and hard work of the Chinese labour force. The benevolent colonial Government has contributed over the years a climate of stability and an excellent administration.

Year Brought Problems

There have been stresses and strains accompanying this progress—particularly during 1965. The failure of two banks in the early part of the year caused some loss of confidence. A recent banking ordinance, however, will help to stabilize banking procedures and protect depositors. Over-speculation in land and buildings caused a real estate slump which still affects the Colony and has slowed down the rate of construction.

The most important industry, textiles—weaving and spinning as well as the manufacture of garments—encountered serious difficulties last year with increasing restraints on its exports to major markets, including the United States, Britain and Canada. A grave situation arose in mid-October when Britain refused an anticipated textile quota carryover into 1966. The flexibility and ingenuity of the Hong Kong textile industry was displayed in the next two months, when some 88 million square yards of textiles (or 45 per cent of the quota for the year 1965) were produced, sold and shipped by December 31, the end of the quota period.

Despite the large and growing population—an estimated 3.8 million concentrated in the 400 square miles of largely rocky, barren territory of Hong Kong—there is a shortage of labour. This will probably adjust itself in the next few years when a considerable part of the population now at school, estimated at over 40 per cent, is added to the labour force.

The economy of Hong Kong depends heavily on a few industries (notably textiles and plastics) and on a few very large markets, such as the United States and Britain. However, recent years have seen a diversification of industry, with the production of cameras, transistor radios and television sets, furniture, cutlery and others. The Government and trade associations are attempting through exhibits abroad, trade missions and

the appointment of trade representatives in various parts of the world to improve export prospects in a wider range of countries.

Tunnel and Reservoir

New developments of interest which began in 1965 or continued to make progress were the cross-harbour tunnel, the ambitious Plover Cove reservoir scheme, and the further development of satellite industrial towns in the New Territories. The new tunnel, plans for which are in progress, will ease the flow of traffic from Hong Kong Island to the mainland by a four-lane road, approximately a mile in length, extending under the busiest section of the harbour. The tunnel is to be built by the submerged tube method and the estimated cost is the equivalent of \$40 million. Completion is expected early in 1970.

The Plover Cove scheme has been under construction for the past two years and is making excellent progress. It will dam up an arm of the sea and use the resulting reservoir for the storage of fresh water and its completion in two years or so will add 200 per cent to the Colony's water storage capacity. This scheme, the largest and most expensive undertaking ever carried out in Hong Kong, involves 20 miles of tunnels, a 900-million-gallon balancing reservoir, treatment works, five pumping stations and the damming of three rivers; the cost is estimated at over \$100 million.

New Industries and Housing

To provide land for industry and facilitate its establishment, the Government of Hong Kong is setting up what might be described as "satellite towns" in the New Territories. In these rural areas, new factories are springing up in conjunction with subsidized low-cost housing estates for the workers. Much of the land so used is reclaimed from the sea or by levelling hilly terrain.

Hong Kong's single biggest problem is that of housing the rapidly expanding population. In the past twelve years, the Government has built 17 large resettlement estates, each with a population ranging from 10,000 to 87,000 people, most of whom formerly lived in squatter townships. About 815,000, or 20 per cent of the popula-

tion, have been housed in this way and plans call for a further 500,000 to be provided with resettlement accommodation in the next five years. These resettlement estates are self-contained, with shops, schools, clinics, clubs and playgrounds.

Tourist Trade Growing

Hong Kong has taken advantage of the opportunity to attract tourists and has succeeded remarkably. The 43,500 tourist visitors to Hong Kong in 1957 rose in 1965 to nearly 450,000. In fact, Hong Kong was second only to Hawaii in the Pacific area in the number of tourists in 1965. The tourist trade ranks next to textiles as a revenue earner for the Colony, producing an estimated \$170 million in 1965.

Hong Kong is a natural stopover for travellers to any part of Asia and is being visited more and more by cruise ships, chartered air groups and individual tourists, all of whom find much to enjoy in the Colony—traditional Chinese life, customs and cuisine, the spectacular views, and some of the best bargains in the world (a hand-tailored suit, camera equipment or traditional Chinese arts and crafts). A large number of hotels catering to all pocketbooks, among them the finest in the East, have been built in recent years. All possible facilities are available to the tourist and plans are afoot to expand these. A survey was recently made of the feasibility of establishing a new resort area in the scenically beautiful outlying districts of the Colony, as well as a centrally-located convention hall and exhibition complex.

Foreign Trade Expands

Despite an unusually difficult year, Hong Kong's export and import trade continued to expand during 1965. Exports were valued at a record \$1,241.4 million compared with \$1,099.5 million during 1964, an increase of 12.9 per cent. Re-exports of merchandise of other origins increased from \$257.8 million in 1964 to \$285.7 million in 1965. Imports increased more slowly and totalled \$1,704.3 million in 1965 compared with \$1,625.6 million in 1964.

Communist China remains Hong Kong's largest supplier, earning in trade with the Colony during 1965 the formidable sum of \$427.8 million.

In second place comes Japan, exporting goods to the value of \$294.8 million. Canada was 16th, with exports valued at \$17.5 million.

The United States is now by far Hong Kong's biggest market: the Colony's exports to that country jumped in 1965 by 41.7 per cent to \$343.1 million. Hong Kong also increased its exports to Canada sharply; they rose by 19.4 per cent to a total of \$29.1 million. Our exports

to the Colony decreased by 22.2 per cent. Hong Kong therefore had a substantial favourable balance of trade with Canada, reversing the trend of former years when our exports to Hong Kong invariably exceeded our imports from the Colony.

Most Canadian products exported to Hong Kong sold in larger volume in 1965. Canadian products and quality are known and respected in this highly competitive market and

there are opportunities for Canadian producers and exporters in almost every field. Hong Kong has developed into a major market for the world's suppliers and a market which, though very competitive, is free of tariffs, import restrictions or payment problems. It deserves greater attention from Canadian exporters because it promises to keep expanding and could use many Canadian products in increasing quantities. ●

Canada's Trade with Hong Kong

Two products, plastic resins and aluminum, accounted for a \$5.5 million drop in our sales to the Colony last year; many other commodities made gains. Outlook for this year—good.

FRANK M. LOH, *Commercial Assistant, Hong Kong.*

CANADA'S over-all exports to Hong Kong dropped from Can. \$22.5 million in 1964 to \$17.5 million in 1965, a decrease of \$5 million or 22.2 per cent.*

This drop resulted from the decline in imports of plastic resins and aluminum sheets and ingots, which together reduced Canadian exports by \$5.5 million compared with 1964. Fortunately this sharp drop in two of our major exports to Hong Kong was accompanied by increased sales of other commodities, some of which showed a gratifying rise over the previous year. Table I gives an approximate breakdown of Canadian exports to Hong Kong by product division and section for the years 1964 and 1965.

Exports of foodstuffs in general declined last year by \$437,000, or 8.9 per cent. Several products had larger sales, including wheat (\$665,000 or up 38 per cent), apples (\$167,000 or up 380.2 per cent), and tobacco (\$183,500 or up 239.2 per cent).

*All statistics in this report are those of the Hong Kong Government and values have been converted into Canadian dollars.

There were also small and not too significant increases in other food products. The decreases included flour (\$247,000 or down 11.9 per cent), cereal preparations \$171,600 or down 52.2 per cent), evaporated milk and cream (\$152,100 or down 55.3 per cent), beverages (\$22,000 or down 20.1 per cent), and fish preparations (\$21,200 or down 17.7 per cent).

In raw materials, gains were achieved in almost every division—crude fertilizers and crude minerals (\$36,300), plastic and synthetic rubber (\$96,400), lumber (\$74,100) and ginseng (\$52,800), totalling some \$256,500 or 71 per cent.

How Chemicals Fared

Under chemicals, the loss sustained was mainly in imports of plastic materials (\$2.64 million or 32.2 per cent). (Hong Kong's total world imports of this item also dropped \$7.6 million below 1964.) This could be the result of overstocking in 1964, because total imports in that year exceeded by over 70 per cent those of 1963. A further

factor might be the shift in the sales of the manufactured end products, mostly toys and artificial flowers. Sales of these Hong Kong products to non-Commonwealth countries rose rapidly, resulting in smaller requirements for raw materials of Commonwealth origin (for Commonwealth content purposes). Increased Japanese competition has also resulted in displacement of Canadian materials. Our position, however, is thought to be stabilized now and 1966 sales should at least equal the past year and may even show some improvement if the local industry recovers from what has been a rather bad few months.

However, our exports of pharmaceutical products were up by \$27,500 or 156.7 per cent, a marked improvement over the 1964 figure; sales of perfumery and cosmetics also rose \$8,300 or 87 per cent.

Sales of aluminum dropped by \$2.9 million or 58 per cent. One of the reasons was probably the large accumulation of stock towards the end of 1964, but the Canadian product was displaced to some extent by Australian

TABLE I

CANADIAN SALES TO HONG KONG BY PRODUCT DIVISION AND SECTION

Product division and section	1964	1965	Change
	(H.K.\$'000)		
Foodstuffs			
Live animals	.....	.....	.....
Meat and meat preparations	670.5	742.0	+ 71.5
Dairy products and eggs	1,450.1	649.0	- 801.1
Fish and fish preparations	631.0	519.3	- 111.7
Cereals and cereal preparations	21,775.6	23,113.0	+ 1,337.4
Fruit and vegetables	280.5	1,165.0	+ 884.5
Sugar, sugar preparations & honey	2.1	.....	- 2.1
Coffee, tea, cocoa, spices and manufactures thereof	2.0	5.0	+ 3.0
Miscellaneous food preparations	59.4	121.1	+ 61.7
Beverages	577.1	460.0	- 117.1
Tobacco and tobacco manufactures	406.2	1,372.1	+ 965.9
Total foodstuffs	25,854.5	28,147.6	+ 2,293.1
Raw Materials			
Hides, skins and fur skins—undressed	9.7	.....	- 9.7
Crude rubber (including synthetic and reclaimed)	230.3	737.5	+ 597.2
Wood, lumber and cork	149.9	540.0	+ 390.1
Crude fertilizers and crude minerals (excluding coal, petroleum and precious stones)	17.5	208.5	+ 191.0
Crude animal and vegetable materials, n.e.s.	1,491.6	1,770.0	+ 278.4
Mineral fuels and related materials	5.3	.....	- 5.3
Total raw materials	1,904.3	3,256.0	+ 1,351.7
Chemicals			
Chemical elements and components	319.7	187.0	- 132.7
Dyeing, tanning and colouring materials	5.7	2.0	- 3.7
Medicinal & pharmaceutical products	92.2	237.0	+ 144.8
Essential oils and perfume materials, toilet, polishing and cleansing preparations	74.6	111.1	+ 36.5
Plastic materials and chemical products, n.e.s. (see note)	43,189.7	29,280.0	-13,909.7
Total chemicals	43,681.9	29,817.1	-13,864.8
Semi-Manufactured			
Leather, leather manufactures, n.e.s., and dressed fur skins	1,573.9	989.5	- 584.4
Rubber manufactures, n.e.s.	9.3	57.0	+ 47.7
Wood and cork manufactures (excluding furniture)	22.1	62.3	+ 40.2
Paper, paperboard and manufactures thereof	7,051.9	8,995.0	+ 1,943.1
Textile yarn fabrics, made-up articles and related products	2,969.5	1,243.3	- 1,726.2
Non-metallic mineral manufactures, n.e.s.	454.3	327.6	- 126.7
Ferrous and non-ferrous metals (see note)	28,802.7	12,909.0	-15,893.7
Manufactures of metals, n.e.s.	808.4	477.0	- 331.4
Total semi-manufactured	41,692.1	25,060.7	-16,631.4
Note:			
{ Plastic materials	43,027.6	29,270.9	-13,756.8
{ Aluminum	25,835.2	10,840.2	-14,995.0
Fully Manufactured			
Sanitary, plumbing, heating and lighting fixtures and fittings	55.8	6.3	- 49.5
Clothing	281.8	354.3	+ 72.5
Footwear	7.2	2.5	- 4.7
Professional scientific and controlling instruments, photographic and optical goods, watches and clocks	18.9	436.5	+ 417.6
Miscellaneous manufactured articles n.e.s.	710.0	904.6	+ 194.6
Total fully manufactured	1,073.7	1,704.2	+ 630.5
Machinery and Transport Equipment			
Machinery, other than electric	835.4	646.6	- 188.8
Electrical machinery, apparatus and appliances	239.4	139.8	- 99.6
Transport equipment:			
{ road motor vehicles	2,709.1	3,029.5	+ 320.4
{ aircraft and parts	501.7	399.6	- 102.1
Total machinery and transport equipment	4,285.6	4,215.5	- 70.1
Others	10.6	16.5	+ 5.9
Total Canadian sales	118,502.7	92,217.6	-26,285.1
Total exports, excluding aluminum and plastic materials	49,639.8	52,106.6	+ 2,466.8
			+ 5%

Source: Commerce & Industry Department, Hong Kong.

Rate of exchange: HK\$1.00=Can. 19 cents.

and Japanese aluminum. Other contributing factors were the recession in the construction sector, closing down by some small manufacturers of aluminum products, and a generally depressed market. Our sales this year, though not expected to show any remarkable improvement, should remain close to the 1965 level.

In the semi-manufactured section, exports of dressed fur skins and synthetic textile fabrics were down but a new record high gain of \$361,000, or 26.7 per cent, was achieved by newsprint and paper products. This helped to brighten the picture.

Sales of fully-manufactured products rose in value by \$119,800 or 58.7 per cent. Worth noting was the import for the first time from Canada of clocks (\$3,500) and particularly clock and watch movements and parts (\$70,100). Shipments of clothing and plastic items are steadily increasing year by year.

In machinery and transport equipment, sales from Canada remained almost constant and this should hold true for 1966. The dominant product in this section is passenger motor vehicles, which showed a gain of \$60,900.

Although Canada's sales did decline in 1965, the over-all picture is not as serious as it looks. Apart from the decrease in exports of two major commodities, Canada has in fact improved its export performance in other commodities, principally foodstuffs and consumer goods, by approximately 5 per cent. The increase, though not significant, reflects the importance of Canada as a source of supply and the fact that most Canadian exporters are not only maintaining but increasing their position in this extremely keen and competitive market.

Hong Kong should continue to be a good market for a wide variety of Canadian products in 1966. For Canadian manufacturers and exporters, there is still room to increase their sales in the Hong Kong market, particularly of foodstuffs, consumer goods and building products. The office of the Canadian Government Trade Commissioner in Hong Kong welcomes the opportunity to give every assistance to any Canadian manufacturers and exporters interested in developing an export market for their products in this area. ●

Communist China Emphasizes Expansion

ARMAND BLUM, *Assistant Trade Commissioner, Hong Kong.*

THE year 1965 witnessed the continued improvement of Communist China's economy. The recovery from the effects of the Great Leap Forward ran its course through 1961, 1962 and 1963. By 1964 the economy took a

new course, which was maintained during 1965 and which we may expect to see formalized in the new Third Five Year Plan. Currently, the official slogan of "agriculture as the foundation of the economy and industry as its

spearhead" is enforced in economic planning and day-to-day decisions.

The new Plan was to be introduced at the beginning of this year and although the Chinese claim that it is already in force, they have not yet released any details nor are the targets known. It is probable that few basic changes will be made in the existing goals, investment criteria and the path that the economy has been following for the past two years. Therefore, the observations on developments in 1964, the last year for which sufficient data are available, should be valid for the immediate future.

How to Obtain a Visa to Visit Communist China

The Businessman Should . . .

WRITE several weeks in advance of his anticipated visit to the head or branch office of the state trading corporation in China which deals with the product he wishes either to buy or sell. (See *Foreign Trade* of February 19, 1966, for a list of these corporations and their addresses. Reprints of this list are available from the Asia and Middle East Division, Office of Trade Relations.) He should indicate his interest in visiting the corporation in China, give the approximate dates when he expects to visit that country, and request the corporation's assistance in obtaining a visa.

If he receives a reply containing an unmistakable invitation to visit China, then he can usually secure a visa at a Communist Chinese Embassy abroad or through the China Travel Service (H.K.) Ltd., 12 Queen's Road Central, Hong Kong. Visas are not issued in Hong Kong and it is necessary to send passports to Canton for visa issuance so that a delay of three or four days should be expected before proceeding to China from Hong Kong. Three passport photographs are essential when completing visa application forms which are made available by the China Travel Service (H.K.) Ltd. and forwarded to Canton.

Invitations are not, however, invariably forthcoming. It depends on how interested the corporation concerned is in seeing the particular Canadian businessman.

Tourists Should . . .

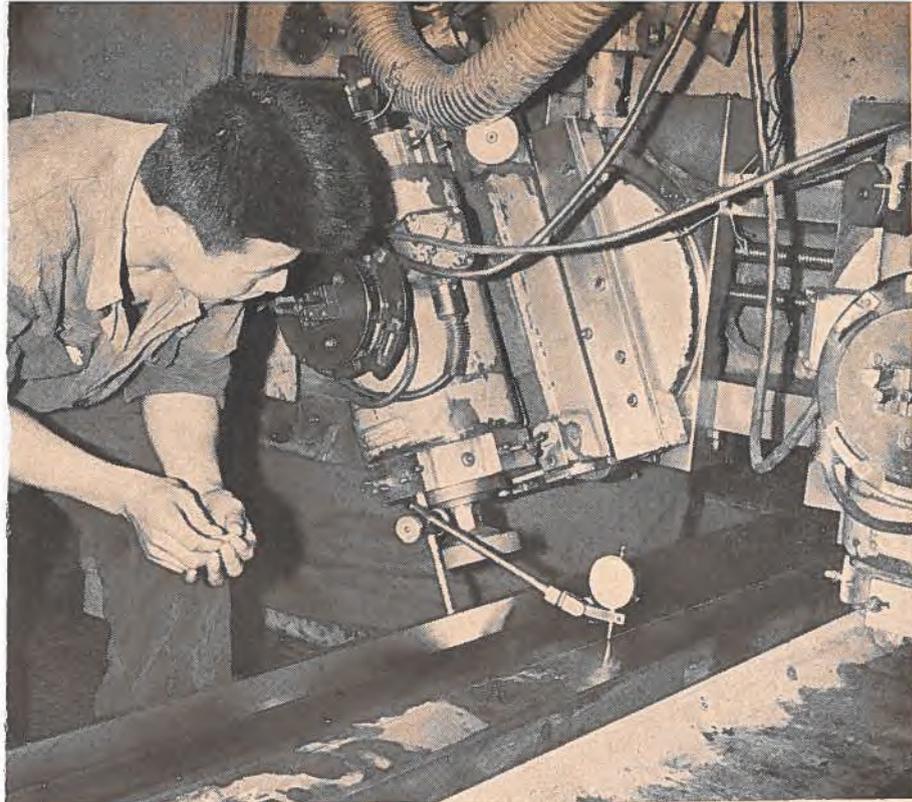
CONSULT a travel agent in Canada who may be able to help them plan their journeys and assist them in applying for a visa. Or the potential visitor can write directly to the China International Travel Service, Hsitan Building, Peking, giving full passport particulars (passport number, date of issue and expiry, date and place of birth, etc.), and information about when they wish to visit Communist China and what centres. These procedures should be initiated at least a month before they expect to start their visit. Visas can be obtained through Hong Kong or elsewhere, as explained above. ●

Foreign Trade

Because of the lack of statistical information the evolution of Communist China's foreign trade still offers the best indication, though not necessarily the most precise one, of the trend and also serves as a measure of China's potential as a market.

The recent past has seen an increasing concentration on investment in plant and machinery. Imports of machinery and transport equipment reached the equivalent of U.S.\$88.7 million in 1964, an increase of almost 65 per cent over 1963. The main priority sectors appear to be (though not necessarily in the order given) the petroleum, mining, textile, machine tool and transport industries, together with some large investments in infrastructure, especially transport and communications facilities.

Imports of capital goods, however, have not been the only ones to rise considerably. Raw materials and semi-processed ferrous and non-ferrous metals needed to feed the country's expanding industrial complex have also been bought in record quantities. In 1964, imports of raw materials totalled U.S.\$274.2 million, an increase of about 26 per cent; imports of manufactures and semi-manufactures reached U.S.\$165.8 million, an increase of 75.2 per cent. Agriculture is also



New emphasis on industrial development has increased Communist China's imports of machinery and transport equipment, and also of raw materials, manufactures, and semi-manufactures. This plant worker is using a dial indicator to set up a work piece on a grinding machine.

TABLE I
FOREIGN TRADE OF COMMUNIST CHINA

Period	Foodstuffs ⁽¹⁾	Raw ⁽²⁾ Materials	Mineral Fuels	Chemicals (thousands of U.S. dollars)	Machinery & Transport Equipment	Manufactures and Semi- manufactures	Other and ⁽³⁾ Unspecified Goods	Total
1961								
Exports	161,338	200,759	5,380	24,485	4,170	619,671	68,763	1,084,566
Imports	362,841	176,549	100,360	58,089	112,476	105,207	32,547	948,069
Trade balance	-201,503	+24,210	-94,980	-33,604	-108,306	+514,464	+36,216	+136,497
1962								
Exports	207,763	178,067	7,650	25,916	5,444	601,446	53,615	1,079,901
Imports	323,267	144,405	66,633	57,732	34,818	94,002	43,547	764,405
Trade balance	-115,504	+33,662	-58,983	-31,816	-29,374	+507,444	+10,068	+315,496
1963								
Exports	271,353	200,995	6,216	28,558	11,073	567,988	73,649	1,159,832
Imports	329,413	217,901	49,993	101,625	53,808	94,620	30,358	877,719
Trade balance	-58,060	-16,906	-43,777	-73,067	-42,735	+473,368	+43,291	+282,113
1964								
Exports	387,294	250,052	10,900	44,048	10,051	556,096	189,385	1,447,826
Imports	450,798	274,248	18,144	104,368	88,703	165,790	55,520	1,157,571
Trade balance	-63,504	-24,196	-7,244	-60,320	-78,652	+390,306	+133,865	+290,255
Percentage change 1964/1963								
Exports	+42.7	+24.4	+75.3	+54.2	-9.2	-2.1	+157.1	+24.8
Imports	+36.8	+25.9	-63.7	+2.7	+64.8	+75.2	+82.9	+31.9

Notes: Because China publishes no trade statistics, these figures have been obtained from partner countries. U.S.S.R. trade with China is included, but Chinese trade with Communist Eastern European countries is not; this trade is only a small percentage of the total and the error should not be too significant.

(1) Includes SITC sections (o) food and live animals and (1) beverages and tobacco.

(2) Includes SITC sections (2) crude materials, inedible, except fuels and (4) animal and vegetable oils and fats.

(3) The largest portion of this category belongs to "unspecified goods" which in turn are believed to fall mainly within "manufactures and semi-manufactures".

reported to have continued its recovery and although imports of food-stuffs kept rising, exports increased even more rapidly.

Table I illustrates the evolution of Chinese exports, imports and trade balances over the 1961-1964 period. It is apparent from the table that China has been able to obtain the necessary foreign exchange for further economic expansion. Until 1962 China used its

surpluses on trade in manufactured goods and raw materials to finance, among other things, the deficits caused by the shortcomings of its agricultural, petroleum, chemical and machinery sectors. Since then, deficits in agriculture and the petroleum industry have been reduced appreciably as a result of the growth of exports and the development of domestic resources. These improvements, and the fact that the

country has now repaid its debts to the U.S.S.R., have enabled China to import more machinery and other investment goods and to keep already existing industries supplied with the increasing quantities of raw materials, chemicals and other industrial goods their expansion requires.

China is also developing more and more into a world trader. In 1964 its total international trade (exports plus

TABLE II
CHINESE IMPORTS FROM NON-COMMUNIST COUNTRIES

Commodities	1961	1962	1963	1964	Commodities	1961	1962	1963	1964
	(thousands of U.S. dollars)					(thousands of U.S. dollars)			
Food, Beverages, and Tobacco	310,443	306,250	328,793	450,753	Chemicals	53,205	53,668	96,151	96,306
Live animals	....	....	....	6	Urea, other than fertilizer grade	(f)	(f)	28,239	26,556
Meat and meat preparations	7	6	5	18	Organic chemicals, other	6,257	15,145	7,639	12,192
Milk and cream	n.a.	157	41	6	Carbon black	....	8	16	188
Butter	....	....	....	....	Other and unspecified inorganic chemicals	3,748	1,820	1,579	10,759
Cheese	....	7	2	....	Synthetic organic dyestuffs, indigo	5,252	4,277	5,000	6,161
Eggs	n.a.	n.a.	54	....	Dyeing and tanning extracts, materials	392	273	368	291
Fish and fish preparations	157	158	1	8	Pigments, paints, varnishes, related materials	140	145	186	338
Cereals and cereal preparations	308,471	300,843	317,100	392,261	Medicines and pharmaceuticals	1,995	1,376	1,154	1,728
Wheat	216,146	224,475	306,980	320,166	Nitrogenous fertilizers, manufactured	29,406	27,114	46,343	17,851
Wheat flour	(e)	14,632	....	4,236	Phosphatic fertilizers, manufactured	....	....	....	5,384
Rice	34,627	17,591	8,050	16,199	Plastic materials	2,586	2,107	2,748	4,810
Barley	53,112	19,480	1,371	28,581	Insecticides, fungicides, and disinfectants	2,001	23	694	3,774
Corn	1,603	20,530	699	13,729	Other chemicals	1,428	1,380	2,185	6,274
Other	2,983	4,135	....	9,350	Machinery and Transport Equipment	25,577	15,588	23,747	61,359
Fruits and vegetables	215	3,651	4,260	2,327	Non-Electric Machinery	13,101	8,021	8,498	32,247
Feedstuffs for animals	1	....	....	31	Internal combustion and diesel engines	82	334	2,214	965
Beverages	34	35	51	27	Other non-electric power generating machinery	1,125	155	17	131
Tobacco and tobacco manufactures	2	....	12	....	Agricultural machinery and tractors	965	117	1,109	1,474
Other foodstuffs	1,556	1,393	7,267	56,069	Office machines	536	25	76	386
Crude Materials, Inedible, except Mineral Fuels	167,370	133,699	204,062	257,709	Machine tools for working metals	1,931	1,071	1,171	7,582
Hides and skins undressed	176	319	321	687	Other metalworking machinery	28	38	270	240
Oilseeds, oil nuts and kernels	5,018	1,338	16	441	Textile machinery	2,834	800	862	6,852
Wood in the rough or simply worked	35	....	173	414	Paper mill, pulp mill and paper processing machinery, except heating and cooling equipment	52	148	77	23
Cork, raw and waste	54	108	170	150	Food-processing machinery	n.a.	....	87	32
Pulp and waste paper	6,810	6,249	6,087	13,904	Construction and mining machinery	41	58	429	3,270
Textile fibres	97,813	78,751	136,947	160,704					
Manmade fibres	6,952	8,950	10,398	23,145					
Natural phosphates	2,969	1,406	3,007	9,156					
Sulphur and pyrites	n.a.	n.a.	....	....			
Abrasives	19	35	7	31					
Mica	91	....	....	....		
Iron ore and concentrates	....	....	....	....	
Manganese ore and concentrates	n.a.	n.a.	....	....			
Other	54,385	45,493	57,334	72,222					
Mineral Fuels, Lubricants and Related Materials	1,634	764	297	488					
Animal and Vegetable Oils and Fats	6,005	7,140	6,521	8,865					

imports) amounted to over U.S.\$2.6 billion, an increase of about 28 per cent over 1963. This figure is still far from placing China in the upper ranks of world traders—Canada's total trade, for example, amounted to over U.S.\$14 billion in 1964. It may be more important that China appears to be developing a multilateral pattern of trade in contrast with the U.S.S.R. and other Eastern European Communist

countries. Thus the balancing of trade values with individual trading partners seems to be of little importance to the Chinese.

Imports Examined

Tables II (on these pages) and III (on page 28) show in some detail Chinese imports from non-Communist countries and from the U.S.S.R. for the period 1961-1964. Chinese

imports of foodstuffs centered almost exclusively on grain and there are few prospects for a market in other foods, although in the agricultural field France has recently sold China some cattle breeding stock. In raw materials, Chinese purchases of hides and skins, lumber, pulp, and basic synthetic materials, both for domestic consumption and for its export industries, should continue to expand. The chemi-

TABLE II
CHINESE IMPORTS FROM NON-COMMUNIST COUNTRIES

Commodities	1961	1962	1963	1964	Commodities	1961	1962	1963	1964
	(thousands of U.S. dollars)					(thousands of U.S. dollars)			
Heating and cooling equipment	1,015	1,180	79	2,849	Iron and steel universals, plates, sheets, uncoated	13,954	11,423	7,811	16,110
Pumps, centrifuges, and filtering machinery	373	743	477	2,085	Iron and steel plates, sheets, coated	(b)	(b)	10,655	18,519
Lifting, loading and other mechanical handling equipment	944	165	66	534	Iron and steel hoop and strip	1,127	492	342	847
Woodworking and other power tools	n.a.	626	414	499	Iron and steel wire	477	352	178	383
Ball, needle and other bearings	672	444	172	745	Iron and steel tubes and pipes seamless	9,085	3,996	4,499	16,981
Taps, cocks, valves and similar appliances	n.a.	n.a.	107	273	Other iron and steel tubes, pipes, fittings	(c)	(c)	72	891
Other non-electric machinery	2,503	2,117	871	4,307	Other iron and steel and semi-manufactures	763	156	60	144
Electric Machinery and Appliances	5,781	4,807	5,474	13,538	Copper wire rod and wire	560	(d)	591	2,452
Electric power-machinery and switchgear	1,373	993	189	512	Other copper and semi-manufactures	2,662	4,578	1,117	6,514
Insulated wire and cable	462	39	56	172	Nickel and semi-manufactures	1,399	336	1,187	2,893
Telecommunication apparatus	978	1,238	933	2,127	Aluminum and semi-manufactures	1,967	1,347	10	111
Electric measuring and controlling instruments	n.a.	915	2,136	6,614	Lead and semi-manufactures	n.a.	n.a.	....	....
Other electrical machinery	2,968	1,622	2,160	4,113	Tin and semi-manufactures	50	55	20	....
Transport Equipment	6,695	2,760	9,775	15,574	Iron and steel structural parts, wire cables, netting and related manufactures	453	197	41	52
Railway vehicles	3,545	14	6	24	Clothing	18	18	210	22
Passenger cars and chassis	114	54	33	508	Footwear	....	8	....	....
Trucks, buses and other road motor vehicles	422	2,096	683	4,026	Professional and scientific instruments and apparatus	1,883	736	2,318	7,802
Aircraft and parts	n.a.	n.a.	8,460	3,931	Photographic and motion picture supplies and film	n.a.	773	907	997
Other transport equipment	2,614	596	593	7,085	Other manufactured goods	7,511	5,470	5,998	15,775
Manufactured Goods	67,244	50,115	53,512	123,039	Other Imports	16,046	6,181	11,454	48,416
Rubber tires and tubes for vehicles and aircraft	61	114	260	20	Total	647,524	573,405	724,537	1,046,935
Paper and paperboard	7,118	2,724	2,311	8,019	Notes: (a) included in pig iron				
Manmade fibre yarn, fabrics	15,782	14,577	13,016	22,747	(b) included in iron and steel universals, plates, sheets, uncoated				
Iron and steel and semi-manufactures	27,780	19,182	25,526	55,635	(c) included in iron and steel tubes and pipes, seamless				
Pig iron	....	264	....	n.a.	(d) included in other copper and semi-manufactures				
Ferroalloys	770	(a)	3	....	(e) included in wheat				
Iron and steel ingots and other primary forms	....	....	63	....	(f) included in organic chemicals.				
Iron and steel bars, rods, shapes, sections	1,631	2,499	1,843	1,760	Source: Official trade statistics of partner countries.				

TABLE III
CHINESE IMPORTS FROM NON-COMMUNIST COUNTRIES AND THE U.S.S.R.

Origin	Foodstuffs	Raw Materials	Mineral Fuels	(thousands of U.S. dollars)				Total
				Chemicals	Machinery and Transport Equipment	Manufactures and Semi- Manufactures	Other Goods	
Australia	126,827	25,356	243	.....	118	465	19	153,028
Japan	19	18,740	34	60,927	19,167	53,858	6	152,751
Canada	126,250	.....	.....	15	.....	79	1	126,345
Argentina	91,130	213	.....	392	.....	.....	5	91,740
Britain	39	7,002	92	5,061	17,729	19,496	539	49,958
France	31,290	1,235	.....	2,885	3,072	11,123	5	49,610
Pakistan	.....	37,332	.....	.....	.....	2,307	30	39,669
Syria	.....	28,343	.....	.....	.....	.....	1	28,344
Ceylon	1,584	24,017	.....	.....	.....	.....	1	25,602
Germany, West	.....	.....	.....	9,934	8,957	6,531	45	25,467
Italy	8	2,842	.....	5,535	1,192	8,915	.....	18,492
United Arab Republic	2,942	13,434	.....	.....	.....	274	43	16,693
Morocco	31	10,553	.....	.....	3,451	4	30	14,069
Sweden	.....	8,957	.....	670	958	3,384	13	13,982
Switzerland	.....	.....	.....	2,670	2,284	5,593	4	10,551
Other non-Communist countries	70,633	88,550	119	8,217	4,431	11,010	47,674	230,634
U.S.S.R.	45	7,674	17,656	8,062	27,344	42,751	7,104	110,636
Total	450,798	274,248	18,144	104,368	88,703	165,790	55,520	1,157,571

Source: trade statistics of partner countries.

cal industry is growing but is still far from being self-sufficient and although purchases of fertilizers have not maintained their 1962 levels, there should continue to be a market for these in China, with probable future expansion.

The field of machinery and transport equipment is where China can be expected to turn more and more to imports in order to develop its economy. In comparison with the long-term needs and goals of the economy, domestic production of machinery is still far from world standards of quantity, design, sophistication and efficiency. Furthermore, some of China's export industries will also be needing more modern and efficient machinery in order to compete in world markets.

As mentioned earlier, petroleum, mining, textiles, machine tools, transport and communications are the sectors being given priority and this will probably continue for some time. Chinese imports of manufactures and semi-manufactures are almost completely oriented towards industry. There is almost no demand for consumer goods from abroad and this situation is not expected to change noticeably in the foreseeable future. Imported manufactures and semi-manufactures either enter into products processed fur-

ther for export or are used locally, largely in turning out capital goods.

Chief Suppliers

Since 1961, Communist Chinese purchases from the Soviet Union have been reduced by almost two-thirds as a result of the cessation of Soviet aid, the recall of Soviet technicians, and the state of political relations between the two countries. The Western countries and Japan have been able to supply many of the goods previously obtained from the U.S.S.R. Partly as a result of this, their share of Chinese purchases has risen from about 68 per cent in 1961 to over 90 per cent in 1964.

Table III gives the main suppliers to China in 1964. Canada ranked third, preceded by Australia and Japan but ahead of all European countries and the U.S.S.R. Canadian sales were almost entirely made up of grain and accounted for 28 per cent of all Chinese imports of foodstuffs. Australia was China's major supplier and apart from accounting for 28.1 per cent of imports of foodstuffs (also grain), it sold to the Chinese wool, coal, iron and steel plates and sheets. Japanese sales to China consisted chiefly of chemicals, iron and steel, synthetic fibres,

machinery and papers. Japan was the largest supplier of industrial products and accounted for over 58 per cent of Chinese purchases of chemicals, 32 per cent of purchases of manufactured products, and about 22 per cent of purchases of machinery and transport equipment. Britain, France, Germany, Italy, Sweden and Switzerland were also important suppliers of chemicals, manufactures and machinery. Most of the other countries listed furnished foodstuffs and raw materials.

Canada's Share in Trade

In the first eleven months of 1965, Canadian sales to Communist China of products other than grain increased by more than six times over the corresponding period of 1964. Several years ago, however, before we made our sales of grain, our shipments of chemicals, metals and metal products, and other manufactured goods were much larger. In 1960, for example, Canadian exports to Communist China totalled over \$8.7 million and included chemicals (\$3.2 million), aluminum (\$3 million), other metal products (\$1.1 million), steel products (\$976,900), and fully manufactured goods (\$302,000). Moreover, the sizable increase in sales of products other than

TABLE IV
CANADIAN EXPORTS TO COMMUNIST CHINA—1960-1965

Commodity	1960	1961	1962	1963	1964	Jan.-Nov.	Jan.-Nov.
						1964	1965
	(Can.\$'000)						
Grain		120,201,427	147,156,987	104,410,537	136,162,210	125,888,087	95,042,359
Exports other than Grain	8,737,363	2,637,203	281,118	327,158	100,905	76,821	504,653
Of which:							
Crude materials, inedible	9,374	176,188	213	300			450
Cattle hides		193	213				
Natural gums and resins							450
Synthetic fibres	6,322	175,995					
Other crude materials	3,052			300			
Fabricated materials, inedible	8,425,683	2,456,357	69,467	306,111	46,273	46,273	422,566
Leather		8,262		7,244	12,827	12,827	
Lumber			3,447				
Wood pulp		464,972		285,000			
Wrapping paper		943,314					
Paperboard		207,700					
Synthetic yarn and thread	9,098						
Gum, wood and vegetable extracts			2,041				
Chemical elements	196,592	86,775					
Radioactive elements		3,270	9,879	2,995	9,290	9,290	373,404
Plastic materials, not shaped	3,057,997	25,620	13,655	2,550			48,291
Steel bars and rods		90,876	5,373		14,338	14,338	
Steel plate, sheet and strip	895,796	625,329	33,259	1,920			
Pipes and tubes, iron and steel	81,130	239					
Wire and wire rope, iron and steel			1,813				
Aluminum	3,016,214						
Nickel and alloys	720,864			6,402			
Zinc and alloys	141,412				9,818	9,818	
Cadmium	198,761						
Abrasive wheels and stones							871
Other fabricated materials	107,819						
End products, inedible	302,081	4,149	211,166	19,918	53,284	29,284	80,627
Engines, turbines and parts			45,819				
Compressors, vacuum pumps, fans, blowers							541
Special industrial machinery, equipment and parts, n.e.s.		868					
Motor vehicle engines and parts			67,475				
Measuring, controlling, laboratory, medical and optical equipment	26,537	2,783	92,502	16,163	48,000	24,000	78,163
Jewellery and silverware			268				
Medicinal and pharmaceutical products	930	498	5,102	3,755	5,018	5,018	1,621
Printed matter	1,150				266	266	302
Other end products	273,464						
Shipments valued at less than \$50 each	225	509	272	829	1,348	1,264	1,010
Total exports	8,737,363	122,838,630	147,438,105	104,737,695	136,263,115	125,964,908	95,547,012

Source: DBS, *Trade of Canada*.

grain in 1965 should not obscure the fact that these shipments represented only some 0.5 per cent of our total exports to the Chinese market.

The figures for eleven months of 1965 indicate that sales of various chemical products and measuring equipment constituted most of our exports of non-grain products and that these will only slightly exceed \$500,000 for the full year. Reference to Table II shows that today China is

buying many other products from abroad and that there are opportunities in a number of fields for interested Canadian exporters. To mention a few, the following inquiries for Canadian supplies were passed on to me at the last Canton Fair: construction lumber, nylon rope, upper leather and high quality raw cattle hides, synthetic fabrics, paper products such as cellophane, art printing papers, kraft and insulating papers, plastics and plastic

resins, transport equipment, and machinery for various industries.

Competition in selling to China is keen, and the selling process may be involved and drawn out. But there is a market, as exporters from most European countries and Japan have found—to their benefit. The Office of the Canadian Government Trade Commissioner, P.O. Box 126, Hong Kong, stands ready to assist you. ●

Philippines Sets Up Economic Goals

J. L. MUTTER,
Consul General of Canada, Manila.

THE year-end review of the Philippine Department of Commerce and Industry begins by stating that the economy exhibited "mixed tendencies" in 1965. Viewed in the light of a surging population increase, its performance was certainly rather disappointing. Although production of goods and services reached new highs, the rate of growth declined noticeably. Throughout the year the tight money policy adopted by the Central Bank continued, but in the view of many economists and businessmen, its effect was to hold back expansion in production. The Central Bank contended that although the commercial banks had over-extended themselves, there was in fact money available for high-priority projects. In any event, money remained tight and, in the opinion of a large body of economic analysts, the Government's demands for credit during an election year meant that there was less available for the private sector.

Public Debt Rose

In the first nine months of 1965, public domestic debt increased. Outstanding debt—3,077 million pesos as of September 30th—was 5 per cent above the end-of-1964 figure, and 7 per cent above the end-of-1963 level. The over-all increase in borrowings of the National Government, local governments, and government corporations—including those guaranteed by the Central Bank—reached the P193 million mark; repayments totalled P55 million.

Additional use by the National Government and by government corporations of existing loans and credits from international financial institutions (Export-Import Bank, IMF and IBRD) and foreign private banks, contributed to the U.S.\$97 million increase in external debt for the nine-



Threshing rice by hand. Supplies of this staple food are insufficient and imports have risen. This has contributed to the high cost of living and the Government is seeking ways to increase domestic production and thus conserve foreign exchange.

month period. Loans obtained directly by the Central Bank and the Philippine National Bank, and those obtained by private firms with the guarantee of these institutions, accounted for about half of the increase in the external public debt during this period.

The composition of external debt closely matched that of the corresponding period in 1964. Loans totalling U.S.\$207 million from various U.S. commercial banks constituted more than half of the external debt outstanding at the end of September 1965, with the IBRD and the IMF each accounting for roughly 15 per cent and foreign private lenders for about 7 per cent.

Economic Activity

During the first nine months of 1965, economic activity displayed mixed trends. Certain developments showed the effect of monetary restraint. Money supply in September 1965 fell by 3.7 per cent below the level of December 1964 (from P2,873.8 million to P2,768.9 million). The dominant disinflationary force during January-September 1965 was the public sector, whose operations resulted in the net withdrawal of P137 million. The National Government accounted for a contraction of P213.6 million, partly offset by the P76.6 million expansionary opera-

tions of local and semi-government entities. The private sector also contracted by P75.8 million. The net result was a reduction of P212.8 million in money supply.

In this situation, prices and the exchange rate were both comparatively stable. The former increased moderately; the latter was given only minimum Central Bank support as international reserves rose from U.S.\$134 million at the end of 1964 to U.S.\$166 million at the end of September 1965.

The agricultural production index declined by 1.8 per cent. Output of food crops rose by 4.3 per cent but there was a shortfall of 13.9 per cent in the production of export crops, notably logs, leaf tobacco and abaca. Manufacturing contracted by 1.0 per cent during the first half of 1965, partly because of labour problems and the competition from imported consumer products.

Mining maintained the rate of growth recorded in the corresponding nine months of 1964. Gold production advanced by 3.9 per cent and output of base metals went up 4 per cent, reflecting the resumption of normal operations by Philippine gold mines and favourable world markets for base metals.

Construction activity rose by nearly 29 per cent in Manila during the period January-September. Concurrently, real estate sales in Manila and suburbs advanced by slightly more

than 10 per cent over the corresponding months of 1964, only half the gain made in 1964 over the previous year.

Foreign Trade

For the second year since the boom of 1963, the Philippines had a trade deficit in 1965. Exports to all countries totalled U.S.\$767.3 million and imports from all countries U.S.\$808.1 million, leaving a deficit of \$40.8 million. In 1964, when exports reached U.S.\$742 million and imports

U.S.\$780.3 million, the deficit was U.S.\$38.3 million.

The United States and Japan continued to be the Philippines' main markets and suppliers. Exports to the U.S. last year reached U.S.\$348.4 million, down from the U.S.\$353.6 million of 1964. Imports from the U.S. totalled U.S.\$273.3 million, compared with U.S.\$311.5 million in 1964. Exports to Japan, on the other hand, rose from U.S.\$187.7 million in 1964 to U.S.\$216.7 million in 1965. Imports from Japan also increased—from U.S.\$159 million to U.S.\$195.5 million.

Philippine exports to its four other principal trading partners—the Netherlands, Germany, the Republic of China (Taiwan), and Britain decreased but exports to "all other countries" rose from U.S.\$56.2 million to U.S.\$74.9 million. Its imports from Germany, Britain and Indonesia decreased, but those from Australia and "all other countries" rose. Australian exports to the Philippines have gone up steadily since 1963 and totalled U.S.\$28.8 million last year.

Import Pattern Analyzed

Imports of producer goods, which accounted for 79 per cent of all imports, dropped last year as a result of smaller imports of raw and semi-processed materials for industry, down 10 per cent and 3 per cent in the first nine months of the year, because of a slackening in manufacturing activities in the Philippines. Imports of machinery, plant equipment and supplies increased and those of consumer goods rose 42 per cent to U.S.\$125 million, mainly because of heavy arrivals of foodstuffs (mostly rice). The value of the ten principal imports (see Table I), U.S.\$469 million, reached new highs and exceeded the corresponding 1964 figure by 10 per cent. The table also gives increases and decreases in the various classes of goods.

The rise in cereal imports resulted mainly from heavy imports of rice from Burma and Thailand to support the price stabilization policies of the Rice and Corn Administration. Increased imports of electrical machinery, apparatus and appliances reflected principally large arrivals of telephone apparatus and parts, insulated electrical cable wire, and other measuring, regulating and distributing appa-

TABLE I

PHILIPPINES PRINCIPAL IMPORTS

Item	Jan.-Sept.	
	1965	1964
	(U.S.\$ '000, f.o.b.)	
Total imports	605,637	572,725
Ten principal imports	468,819	426,277
Of which:		
Machinery other than electric	107,226	102,955
Cereal & cereal preparations	81,520	46,508
Transport equipment	60,335	72,182
Base metals	56,698	55,571
Mineral fuels, lubricants & related materials	53,379	54,801
Electric machinery, apparatus & appliances	38,821	27,017
Dairy products	21,129	17,958
Explosives & miscellaneous chemical materials	17,816	16,322
Paper and paperboard manufactures thereof	16,176	16,318
Textile fibres not manufactured into yarns	15,719	16,698

TABLE II
TEN PRINCIPAL EXPORTS

(f.o.b. value in U.S.\$ '000)
(quantity in '000 kilograms)

Item	Jan.-Sept.			
	1965		1964	
	Quantity	Value	Quantity	Value
Total domestic exports		559,739		572,780
Total ten principal exports		478,153		492,754
Of which:				
Copra	600,737	118,231	647,499	111,405
Logs & lumber ¹	2,193,568	117,968	1,820,874	109,985
Sugar, centrifugal	893,048	104,449	938,342	129,871
Coconut oil	165,931	49,352	170,207	44,463
Copper concentrates	182,653	28,856	189,074	21,381
Abaca, unmanufactured	66,899	18,414	81,780	23,995
Desiccated coconut	48,529	14,777	51,926	14,490
Plywood ²	242,069	13,351	302,720	17,322
Molasses	325,608	7,620	324,869	10,816
Iron ore	609,683	5,135	1,118,899	9,026

¹ Quantity in thousand board feet.

² Quantity in thousand square feet.

ratus for the expansion programs of the Philippine Long Distance Telephone Company, the Bureau of Telecommunications, and Meralco (Manila Electric Company). The contraction in imports of transportation equipment resulted from smaller purchases of rolling stock by the Philippine National Railways and smaller imports of non-diesel trucks, buses and motor vehicle parts. The decline in textile fibre imports reflects the entry of more piecegoods from abroad. The drop in imports of mineral fuels and lubricants is accounted for in part by strikes at the Philippine refineries of two U.S. oil companies.

Export Pattern

The ten principal exports in the first three quarters of 1965 (U.S.\$478 million), accounting for 85 per cent of all exports, declined by 3 per cent (see Table II), mainly because of smaller shipments of iron ore (43 per cent), molasses (30 per cent), plywood (23 per cent), unmanufactured abaca (23 per cent), and centrifugal sugar (20 per cent). There were, however, larger exports of copper concentrates (35 per cent), coconut oil (11 per cent), logs and lumber (7 per cent), copra (6 per cent) and desiccated coconut (2 per cent).

Copra replaced sugar as the leading export, accounting for 21 per cent of the total, with shipments exceeding those of the previous year by 6 per cent. Copra exports to the U.S. were up by 22 per cent in response to the expanded operations of American oil crushers, stimulated by the heavy demand from the detergent industry for coconut oil. Although exports to the Netherlands and Germany dropped by one-fifth and one-fourth, those to EFTA member countries improved substantially.

Sugar exports, at U.S.\$104 million, were down 20 per cent. The United States was the sole market for this item, buying 1,174,221 short tons in 1965.

Japanese plywood manufacturers prefer Philippine logs and this increased exports of logs and lumber by 7 per cent—from U.S.\$110 million in 1964 to U.S.\$118 million in 1965. Coconut oil exports, at U.S.\$49 million, established a new record, exceeding those for the corresponding

months of 1964 by 11 per cent. Shipments to the United States totalled 126,683 metric tons, exceeding the tariff-free quota of 120,000 long tons allocated to the Philippines for 1965. Shipments of desiccated coconut, three-fourths of which went to the U.S., were up by 2 per cent.

In the mineral group, exports of copper concentrates increased from U.S.\$21 million in the first nine months of 1964 to U.S.\$29 million, largely as a result of the sharp rise in copper prices. Exports of iron ore, on the other hand, fell by 43 per cent—from U.S.\$9 million to U.S.\$5 million. One of the largest domestic iron ore producers, Philippine Iron Mines, was preoccupied during the first quarter of the year in setting up a sintering and pelletizing plant and this affected production. A portion of the iron ore produced was used in the manufacture of iron concentrates, exports of which more than doubled. Virtually all exports of these commodities go to Japan.

The impact of manmade fibres and competition from other natural fibres (notably sisal and henequen) continued to affect adversely the sale of unmanufactured Philippine abaca in the world market. Exports of this fibre fell by nearly one-fourth—from U.S.\$24 million to U.S.\$18 million. Principal markets were the United States, Japan and Britain.

The steady growth of plywood exports since 1961 was interrupted in 1965, with shipments for the nine months totalling only U.S.\$13 million in value, or roughly 23 per cent less than in 1964. This reflects largely a shift of plywood sales from the export to the domestic market, induced by increased construction coupled with favourable prices.

Trade with Canada

Canadian exports to the Philippines last year totalled \$26.4 million compared with \$27.8 million in 1964, according to DBS figures. Wheat shipments fell by \$5.7 million. There were sizable gains in such traditional items as newsprint, up from \$2.9 million to \$3.6 million, reflecting the election year demands of the Philippine press; sulphur, \$352,000 compared with \$179,000, and generators and parts, not listed in the 1964 returns but accounting for \$222,000 in 1965. There

were spectacular increases in telephone apparatus, equipment and parts, shipments of which in 1965 totalled \$4.6 million compared with \$2.1 million in 1964; insulated wire and cable, up from \$790,000 to \$910,000, and commercial communications equipment, which did not figure at all in the 1964 statistics but accounted for \$437,000 in 1965. (The three last items reflect the flow from Canada to the Philippines of telephone and telecommunications equipment purchased from Canadian sources through long-term financing extended by the Export Credits Insurance Corporation to the Philippine Long Distance Telephone Company in September 1964.) Other items shipped in greater volume than in the previous year were electricity measuring instruments and parts, plastic and synthetic rubber, not shaped, and malt. There was, however, a sharp falling off in shipments of Canadian copper pipe and tubing because of the current copper shortage.

Although the economic problems confronting the new administration are many and difficult and it would be unrealistic to suppose that they can be easily or rapidly solved, Canadian exports to this market seem unlikely to decline. This is because Philippine purchases from Canada are almost exclusively limited to a single bulk foodstuff, a wide range of materials for industry in primary or semi-processed form, and an extensive assortment of capital equipment urgently required to meet the needs of a developing country.

Philippine shipments to Canada in the first ten months of 1965 rose substantially to \$2,746,000 (\$2,146,000 in 1964) and for the full twelve months they will easily exceed the \$2,969,000 of 1964. The principal items have changed little from year to year and include Manila fibre, desiccated coconut, coconut oil, mahogany lumber, hardwood veneers, and canned pineapple.

What Next?

It is too early in the year and too early in the life of the new administration to forecast with any confidence what the future, even in the short term, holds for the Philippine economy. New cabinet ministers and senior government officials have had less than three months at the controls and

have scarcely had time to organize the manpower, funds and other resources available for the discharge of their responsibilities. And these responsibilities are heavy. As the new President declared on his inauguration: "Our government in the past few months has exhausted all available domestic and foreign sources of borrowing. Our public financial institutions have been burdened to the last loanable peso. The lending capacity of the Central Bank has been utilized to the full. There are no funds available for public works and little of the appropriations for our national government for the present fiscal year. Industry is at a standstill. Manufacturing firms have been compelled to close or reduce their capacity. Unemployment has in-

creased. The availability of rice remains uncertain."

Essentially the new team has set itself the task of promoting a faster rate of growth and of maintaining stability in commodity prices and in the international and internal value of the currency. And the risk in easing credit to accelerate production and economic development lies in the resulting pressure on the exchange reserves.

Specifically, the following are among problems that confront the administration:

Generating the necessary revenue to finance increasing public services.

Maintaining the exchange rate of P3.90 to U.S.\$1.00, the rate at which

it was pegged on November 6, 1965, without resuming import and exchange controls.

Increasing domestic production of rice and other basic foodstuffs to hold down living costs and conserve foreign exchange.

Creating new job opportunities.

Stemming the serious upsurge in crime.

All these and many other targets have been clearly identified by the administration and there is plenty of evidence that action is being taken to grapple with the situation. A year from now it may be possible to say whether substantial progress has been made. ●

Foreign aid and careful economic planning emphasized as

Taiwan Blueprints Further Progress

R. C. ANDERSON, *Consul and Trade Commissioner, Manila.*

LAST YEAR the United States phased out its economic assistance to the Republic of China (Taiwan). However, there are still a number of unfinished projects involving U.S. aid, and so "pipeline" aid will continue through 1967.

During 1965, exports from Taiwan totalled over U.S.\$488 million, an increase of \$25 million over the previous year. There was a particularly sharp rise in exports of bananas, rice, industrial products and processed farm products. However, some difficulties were encountered. The drop in the price of sugar and some other commodities cut into export earnings and the slowdown in economic conditions in Japan and Hong Kong also had some effect.

Total imports reached U.S.\$550 million, an increase of \$140 million over 1964, and principal imports included metals, machinery and tools, cotton, wheat, crude and fuel oil. For the first time in Taiwan's economic history, total trade amounted to over U.S.\$1 billion, an increase of 14 per cent over 1964. The import total includes U.S.\$65 million worth of goods financed by U.S. assistance and U.S.\$34 million of shipments paid for by self-financed foreign exchange. On the basis of import and export exchange settlements, therefore, there was a surplus of U.S.\$37 million.

Statistics of the Republic of China show that in some years a substantial increase in imports has been followed by a period of stability. This results

from increased capital investment which builds up to a point where imports of machinery and industrial raw materials cannot be balanced by the increased exports they make possible. Last year was one of rapidly increasing imports; the value of imported capital equipment alone increased 25 per cent over 1964. Thus in 1966 there will likely be an increase in exports of manufactured goods as a result of the larger capital expenditures of 1965.

Economy Is Expanding

The future looks bright for the Republic of China in world trade. A firm base has been established by agriculture, which currently earns 58 per cent of the country's foreign exchange. It is self-sufficient in basic foodstuffs and is a net exporter of rice, canned vegetables, sugar and pineapple.

The imported items with an annual value of over U.S.\$10 million include machinery and tools, ores, metals and products, chemical fertilizers, raw cotton, wheat and flour, beans and peas, vessels, vehicles and parts, crude and fuel oil, manmade fibres, industrial chemicals, pharmaceuticals and lumber. The increased emphasis on industrial development accounts for the upsurge in imports of raw materials and capital equipment. Government authorities continue to emphasize industrial development and are offering incentives to foreign investment by tax concessions, assistance in training labour to become technically qualified, locating industrial sites, and making available free port facilities for industrial development.

Canada's Opportunities

One Canadian project in Taiwan is in the dairy products field: Canada has supplied powdered milk for a number of years which is processed and packaged in a modern plant in Taipei. This operation is the result of joint Chinese-Canadian financial participation. Another operation which will mean increased exports from Canada is a project of the Vocational Assistance Commission for Retired Servicemen of the Chinese Government which is undertaking the building of a sawmill and furniture-making complex. Canada will provide consulting services as well as machinery through long-term financing under Section 21A of the Export Credits Insurance Act.

The greater industrial activity and requirements for raw materials will mean that Canadian suppliers will have an opportunity to participate in meeting these needs. There is an increased demand for sulphur and potash, capital equipment, chemicals for the processing industry and certain metals for fabrication. In the agricultural sector, opportunities for Canadian sales are more limited because under Public Law 480 which still applies to Taiwan many agricultural products are obtained from the United States. However, there are opportunities in some areas, such as oilseeds and malting barley.

Foreign Aid Still Needed

The Republic of China (Taiwan) has applied for and received substan-



Harvesting pineapples at Taitung farms in east Taiwan. Canned pineapple is one of the principal exports; last year it earned for the country about U.S. \$15 million.

tial loans from the World Bank as well as from the Export-Import Bank. In the case of loans from international

financial institutions, including the World Bank, Canadian suppliers stand a chance to participate.

TABLE I
TAIWAN'S PRINCIPAL EXPORTS

	1959	1961	1963	1965 (estimate)
	(U.S.\$ million)			
Sugar	65.9	61.1	106.0	76.0
Textile products	12.1	27.8	44.4	60.0
Lumber, timber & products	5.5	11.1	27.7	43.0
Bananas	6.6	10.7	8.7	64.0
Other metals & products	3.9	12.1	22.0	32.0
Chemical products	3.0	15.8	19.4	37.0
Rice	23.5	10.1	23.4	41.0
Cement & building materials	2.5	6.9	17.1	18.0
Canned mushrooms	...	1.8	16.2	24.0
Canned pineapple	8.3	12.1	11.6	15.0
Tea	7.1	8.9	8.1	8.5
Vegetables	0.7	2.7	5.4	8.0
Citronella oil	3.2	3.8	6.9	5.0
Others	18.2	29.1	40.6	56.5
Total	160.5	214.0	357.5	488.0

TABLE II
TAIWAN'S PRINCIPAL IMPORTS

	1959	1961	1963	1965 (estimate)
	(U.S.\$ million)			
Ores, metals & products	33.0	44.1	42.6	90.0
Machinery & tools	38.2	48.8	49.0	80.0
Raw cotton	19.1	29.8	26.5	50.0
Vessels, vehicles & parts	22.6	27.1	18.3	40.0
Wheat & flour	14.8	19.9	29.4	30.0
Beans & peas	7.9	13.9	20.7	25.0
Crude & fuel oil	13.6	14.5	20.5	22.0
Manmade fibers & products	3.0	7.6	8.8	22.0
Chemicals	6.2	10.0	11.9	21.0
Pharmaceuticals	7.6	12.7	10.0	18.0
Logs & lumber	4.1	4.9	12.6	18.0
Chemical fertilizers	22.2	17.1	15.6	12.0
Others	52.1	73.7	70.9	122.3
Total	244.4	324.1	336.8	550.3

In 1965 the Republic of China attracted a record U.S.\$50 million in overseas investment. During the year it also entered into arrangements providing for economic assistance from the United States, Canada (as mentioned above), Japan, Germany, Italy, Australia and New Zealand. Financial and technical assistance has also been

extended by the Republic of China to countries in Africa, Latin America, the Middle East and Asia.

Of all the countries of South East Asia, perhaps none has shown a greater rate of sustained economic growth than the Republic of China. Many factors have been involved and foreign aid has played its part. The economy

has been built on a sound agricultural base; light and then heavy industry have been emphasized and promoted when the time was right; the Government is now in the process of developing a petrochemical industry. All these are steps toward a promising future for Taiwan in the world's markets. ●

Import and Exchange Regulations in the Far East

As a service to Canadian exporters, the import and foreign exchange controls currently in effect in Far Eastern countries are summarized below.

Asia and Middle East Division.

Brunei

This protectorate has a short tariff schedule which covers only 20 items. Most items may be shipped under Open General Licence. There are no restrictions on foreign exchange transactions.

Burma

All import trade is in the hands of the Government and government agencies. On October 20, 1965, a Trade Council was established. Pending detailed reorganization, the various divisions of the People's Stores Corporation will continue to operate under the new Trade Council. All existing contracts will continue valid.

The Trade Council is now the sole importer of consumer goods, except drugs and medicines which are imported by the Rangoon Drug House. The government import agencies import goods under global bulk licences. Suppliers are selected on the basis of worldwide tenders except for small imports which are subject to negotiation. All prices for imports have to be confirmed with the Ministry of Trade Development. The banks automatically provide exchange to pay for authorized imports. Payments to Canada may be made in sterling through an external account, in any non-sterling currency, or by crediting kyats to the account of a resident of a country outside the sterling area.

Cambodia

Cambodia's import and export trade has been nationalized and is carried on by a state-controlled trading agency, Société Nationale d'Exportation et d'Importation (Sonexim).

Sonexim conducts all import operations in conformity with a National Import Plan established by the Ministry of Economy for the calendar year.

The National Exchange Office, through the Cambodian Bank of Commerce, maintains control over export and import activities and allocates the necessary foreign exchange for transactions in accordance with the plan. Allocations are made by product categories. Payments are made in currencies acceptable to the suppliers.

Sonexim imports on the basis of simple import declarations countersigned by the Cambodian Bank of Commerce; this procedure eliminates the need for obtaining formal import licences or exchange permits. Government agencies, private agricultural and industrial enterprises, and merchants must submit their requests for imports to Sonexim, which then imports for their account. Associations of private wholesalers and end-users must deposit in local currency 100 per cent of the value of their order at the time Sonexim approves it.

Communist China

Foreign trade is a monopoly of the State and is conducted by 13 state trading corporations. These are known as China National Import and Export Corporations and each is completely responsible for foreign trade, both import and export, in a specified group of related commodities. These corporations neither act as agents for overseas suppliers nor import for stock on their own account. They purchase on behalf of end-users throughout the country, state-owned factories, trading companies, and production ministries and place orders abroad only at the request of these end-users.

Import licences are required for all goods but because all trading is carried on by the state trading corporations, licences are issued automatically for all orders which they place. The issuance of the import

licence normally guarantees availability of exchange. Terms of payment vary but are usually irrevocable letter of credit.

Hong Kong

Hong Kong is a free port except for duty payable on five items. Most goods can enter Hong Kong under Open General Licence but import licences are required for a limited number of products on the restricted, strategic and dangerous commodity lists. Foreign exchange transactions with sterling currency areas are subject to regulation and control but there are no restrictions on transactions with dollar areas. Official exchange must be purchased from an authorized bank. However, there is an extensive free market for trading in dollars at higher rates than the official rate and most imports from the dollar area are paid for with dollars bought on that market.

Indonesia

Foreign exchange and imports are controlled by the Ministry of Finance and the Bank of Indonesia. A general or specific permit issued by the Foreign Exchange Bureau is required to import goods, except imports financed with automatic foreign exchange allocations or with privately held foreign exchange abroad. Import licences, when granted, are issued only for the c. and f. value of the import; insurance must be covered in Indonesia except for imports required for large projects. After the import licence is obtained, the importer must conclude an exchange contract with a foreign exchange bank, which then opens a letter of credit. Importers are subject to a 100 per cent cash cover requirement against the letter of credit, except for incidental imports of essential goods and raw materials imported by industries for their own use. Payment for imports is made only after evidence has been received that the shipment described in the related letter of credit or import licence has been made. On entering the goods at Customs, the foreign exchange permit must be presented.

State trading companies are responsible for maintaining the required imports of specified commodities and nearly all of them are engaged in exporting Indonesia's major export commodities. The leading companies were reorganized into six new companies in August 1964. Although the state trading enterprises account for approximately 60 per cent of total imports, imports of certain commodities (including raw cotton, yarns and threads, wheat flour, newsprint, and concrete reinforcing bars) are not confined to state enterprises.

Imports are divided into five categories and are paid for at a transaction exchange rate of 250 rupiahs to the

U.S. dollar. Except for the first category of essential items which are exempt from import duty, ad valorem tariff rates are added to the exchange rate as follows: second category, 50 per cent; third category, 100 per cent; fourth category, 300 per cent, and fifth category, 800 per cent. These increased rates do not apply to the tariff rates for goods included in GATT schedules of concessions. A surcharge of 1,350 rupiahs per U.S. dollar c. and f. applies on most of these imports. Exporters and producer-exporters receive an automatic foreign exchange allocation amounting to 20 per cent of the f.o.b. value of their exports.

Japan

For the import of most goods, a licence issued by an authorized foreign exchange bank is required. The licence is usually valid for six months.

For imports which are liberalized, the banks may issue licences automatically upon application and without quantitative restrictions. For certain specified goods which are practically liberalized, importers must apply to the Ministry of International Trade and Industry (MITI) for an import quota. This is automatically granted in the form of an import quota certificate, specifying the quantity of the goods and other special conditions. The banks issue licences on the strength of these certificates. Foreign exchange in payment of imports under these two categories may be remitted abroad by somebody other than the licence holder. The holder of a certificate for imports under the latter procedure may assign it to a third party.

Certain other specified goods, including foodstuffs, certain raw materials and manufactured goods, are on the Negative List. The importer of such goods must apply to MITI for an import quota. If granted, the importer receives an import quota certificate which specifies the quantity and other special conditions. The holder of the certificate for such imports may not assign it to anybody else. Foreign exchange in payment of these imports may be remitted abroad by the licence holder only.

When applying for his licence, an importer must deposit with an authorized foreign exchange bank 1 or 5 per cent of the import value, depending upon the category of the goods. The deposit is returned to the importer after 80 per cent or more of the shipment is cleared through Customs. Exempt from the deposit requirement are government imports, designated raw materials and commodities destined for atomic research, national defence, social and medical purposes or for incorporation into export goods.

Import licences embody the right to purchase foreign exchange. Foreign exchange transactions are conducted through foreign exchange banks, subject to the

supervision of the Minister of Finance. Drawees customarily pay upon receipt of documents.

Laos

The Ministry of Commerce and Industry exercises control over the country's foreign trade. Control of imports is implemented by means of foreign exchange allocation. Import licences are required for all imports and foreign exchange is obtained through authorized banks or authorized foreign exchange dealers. Imports are normally financed by irrevocable letters of credit or advance payment.

Malaysia

The three members of the Malaysian Federation—Malaya, Sabah and Sarawak—each have separate tariff systems with preferences extended to many Canadian products. Import licences are required for a wide range of items brought into any of the three areas. There are no foreign exchange restrictions.

Steps are being taken towards the creation of a customs union within the Federation. Free trade now exists for most items of Malaysian origin. Articles produced in other countries are, however, still subject to import duty.

Philippines

Control over imports is effected through exchange control regulations administered by the Central Bank by means of restrictions on the method of payment and prior deposit. No import licences or exchange permits are required. With the exception of a few items the import of which is regulated or prohibited by a special law, all commodities may be freely imported.

Imports are divided into eight categories. Payment for commodities in the "essential consumer", "essential producer" and "decontrolled" categories may be effected on open account, by sight drafts or documents against acceptance, provided the time drafts do not exceed 90 days. Imports in the remaining categories, with the exception of shipments valued at less than U.S.\$100, must be covered by letters of credit and prior deposits must be made in accordance with the following schedule: semi-essential producer category, 25 per cent; non-essential producer and semi-essential consumer categories, 75 per cent; unclassified items and non-essential consumer categories, 100 per cent. Prior deposits are retained at least 120 days and may be in cash, government notes, or securities.

All transactions in foreign exchange must be conducted through authorized agent banks, designated by the Central Bank of the Philippines. Authorized banks may sell foreign exchange at the current free market rate without prior approval of the Central Bank.

Drawees generally make payment only upon arrival of the merchandise.

Republic of China (Taiwan)

All imports except those the value of which does not exceed U.S.\$25 require licences and are classified in one of two categories: permissible and controlled. The list of permissible goods, for which licences are freely granted, includes such items as capital equipment, raw materials and essential consumer goods. Goods on the controlled list generally are those competing with local production. Applications for import licences must be submitted to the Foreign Exchange and Trade Control Commission and if approved, licences are issued by the Bank of Taiwan. Import licences are usually valid for six months, but validity period may be extended for justifiable reasons. Merchandise arriving without a licence is subject to confiscation after 3½ months, during which time the importer may apply for a licence.

The issue of an import licence guarantees the right to purchase foreign exchange from an authorized bank. Payment is usually made on presentation of documents.

Singapore

A wide range of articles entering Singapore are now subject to import duty. Preferential rates are extended to a few goods, including tires and tubes, condensed milk, sugar, alcoholic beverages, tobacco and tobacco products, leather and leather products, and coated textile fabrics. Most items enter under Open General Licence. There are no foreign exchange regulations.

South Korea

Imports are made under semi-annual trade programs beginning each January 1 and July 1. Within the program, the Ministry of Commerce and Industry issues lists of permissible and prohibited imports. Imports are authorized either under an automatic approval system requiring certification from a foreign exchange bank or under a licensing system requiring a licence issued by the appropriate Ministry. Goods generally classified as luxuries are prohibited. Goods imported to be incorporated into export items are not subject to control.

To engage in foreign trade, firms or individuals must be registered. An import certificate or licence automatically entitles the holder to purchase the required foreign exchange. Merchandise arriving without the required import licence is subject to confiscation. Imports must be cleared through Customs within four months of the date of issue of the licence or from the date of opening a letter of credit.

Payment for imports may be arranged on a letter of credit or collection basis. Time drafts are restricted to a maximum of 180 days after sight. Imports effected on a collection basis must be licensed by the Ministry of Commerce and Industry; the licence will specify the terms of payment. Drawees customarily await the arrival of merchandise before paying sight drafts or accepting time drafts.

Thailand

Import licences are required for only about 65 items which are of a kind produced in Thailand. All other goods, with the exception of a few which are prohibited, may be imported without a licence. Licences, when required, are granted by the Ministry of Economic Affairs; they are usually valid for six months and may be extended. As a rule, they are issued to the extent that local production fails to meet the demand. When an import licence is necessary, merchandise arriving in Thailand without the cover of an import licence is subject to confiscation. The granting of an import licence implies that foreign exchange will be available to pay for the goods.

Exchange control is administered by the Bank of Thailand and all transactions must be effected through authorized banks. A permit from an authorized bank is required to make any payment for imports but its issuance is automatic for a legitimate commercial transaction. Permits are valid for 30 days for sight

drafts and until 15 days after due date for time drafts. Authorized banks may grant an extension of one month but the Bank of Thailand must approve further extensions. Exchange control approval is required for advance payments.

Vietnam

All imports are subject to licensing. Importers who import merchandise for their own use are required to form groups or pools importing the same category of goods. For import purposes, merchandise is classified into 18 categories and importers may apply for licences in not more than three of these categories. Licences for imports other than those financed by U.S. AID are issued by the Directorate of External Commerce and approved by the National Exchange Office. An import licence entitles the importer to purchase the necessary exchange from authorized banks. Import licences are valid for from four to eight months from the date of issue, depending upon the type of goods to be imported. Without this authorization, merchandise is subject to seizure or reshipment.

Foreign exchange is available through authorized banks from the National Exchange Office. Imports are generally financed under letters of credit; the opening of these requires the presentation of an import licence. Letters of credit must be opened within 15 or 30 days after issuance of the licence; the exact time is specified in the import licence. ●

Shipping Services from Canada to the Far East

	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
TO: BRUNEI	No direct liner service; cargo transhipped at Singapore		
BURMA	American Mail Line (<i>Canadian Blue Star Line, Vancouver</i>)	No direct liner service; cargo transhipped at Calcutta	
CAMBODIA	No direct liner service; cargo transhipped at Saigon		
COMMUNIST CHINA	No direct liner service; cargo transhipped at Hong Kong		
HONG KONG	American Mail Line Klaveness Line (<i>Balfour Guthrie Ltd., Vancouver</i>) Knutsen Line (<i>Johnson Walton Steamships Ltd., Vancouver</i>)	"K" Line (<i>Kerr Steamships Ltd., Toronto</i>) Orient Mid-East Great Lakes Service (<i>Hurum Shipping & Trading Co. Ltd., Toronto</i>)	Isthmian Lines (<i>Amalgamated Exporters (Canada) Ltd., Toronto, Montreal</i>) "K" Line (<i>Kerr Steamships Ltd., Montreal, Halifax, Saint John</i>) Maersk Line (<i>Robert Reford Co. Ltd., Montreal, Toronto</i>)

	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
HONG KONG	Maritime Co. of the Philippines (<i>Furness, Withy & Co. Ltd., Vancouver</i>)	Mitsui O.S.K. Lines (<i>Montreal Shipping Co. Ltd., Toronto</i>)	Mitsui O.S.K. Lines (<i>Montreal Shipping Co. Ltd., Montreal, Halifax, Saint John</i>)
	Nedlloyd and Hoegh Lines (<i>Dingwall Cotts & Co. Ltd., Vancouver</i>)	N.Y.K. Line (<i>Transworld Shipping Ltd., Toronto</i>)	N.Y.K. Line (<i>Transworld Shipping Ltd., Montreal</i>)
	Philippine National Lines (<i>Interore Shipping of Canada Ltd., Vancouver</i>)	Pacific Star Line (<i>March Shipping Agency, Toronto</i>)	Orient Mid-East Great Lakes Service (<i>Hurum Shipping & Trading Co. Ltd., Montreal</i>)
	P & O Orient Lines (<i>Union Steamship Co. of New Zealand, Vancouver</i>)		Pacific Star Line (<i>March Shipping Agency, Montreal</i>)
	Showa Line (<i>Kingsley Navigation Co., Vancouver</i>)		
	States Line (<i>Dodwell & Co. Ltd., Vancouver</i>)		
	States Marine Lines (<i>World Wide Shipping Ltd., Vancouver</i>)		
	United Philippine Lines (<i>Empire Shipping Co. Ltd., Vancouver</i>)		
INDONESIA	American Mail Line	Orient Mid-East Great Lakes Service	Isthmian Lines
	Klaveness Line		Maersk Line
	Knutsen Line		Orient Mid-East Great Lakes Service
JAPAN	American Mail Line	"K" Line	Federal Pacific Lakes Line (<i>Federal Shipping Agencies Ltd., Montreal, Toronto</i>)
	Anglo-Canadian Shipping (Westship) Limited, Vancouver	N.Y.K. Line	N.Y.K. Line
	Maritime Co. of the Philippines	Mitsui O.S.K. Lines	"K" Line
	Japan Line (<i>Westward Shipping Ltd., Vancouver</i>)	Pacific Star Line	Maersk Line
	Mitsui O.S.K. Lines (<i>C. Gardner Johnson Ltd., Vancouver</i>)	States Marine Lines (<i>Amalgamated Exporters (Canada) Ltd., Toronto</i>)	Isthmian Lines
	N.Y.K. Line (<i>Greer-Tidewater Shipping Ltd., Vancouver</i>)		Pacific Star Line
	P & O Orient Lines		States Marine Lines (<i>Amalgamated Exporters (Canada) Ltd., Montreal</i>)
	Showa Line		
	States Line		
	States Marine Lines		
	United Philippine Lines		
	Yamashita-Shinnihon Line (<i>North Pacific Shipping Co. Ltd., Vancouver</i>)		
LAOS	No direct liner service; cargo transhipped at Saigon		

	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
MALAYSIA	American Mail Line Klaveness Line Knutsen Line Nedlloyd and Hoegh Lines Showa Line	"K" Line Orient Mid-East Great Lakes Service	Isthmian Line "K" Line Orient Mid-East Great Lakes Service
PHILIPPINES	American Mail Lines Klaveness Line Knutsen Line Philippine National Lines Maritime Co. of the Philippines Nedlloyd and Hoegh Lines P & O Orient Lines States Line United Philippines Line	"K" Line Orient Mid-East Great Lakes Service Pacific Star Line	Isthmian Line "K" Line Maersk Line Orient Mid-East Great Lakes Service Pacific Star Line
SINGAPORE	American Mail Line Nedlloyd and Hoegh Lines P & O Orient Lines Klaveness Line Knutsen Line Showa Line	"K" Line Nedlloyd Lines (<i>Montreal Shipping Co. Ltd., Toronto</i>) Orient Mid-East Great Lakes Service	Isthmian Line Maersk Line Nedlloyd Lines (<i>Montreal Shipping Co. Ltd., Montreal</i>) Orient Mid-East Great Lakes Service
SOUTH VIETNAM	American Mail Line States Line	Orient Mid-East Great Lakes Service States Marine Lines	Isthmian Line Maersk Line Orient Mid-East Great Lakes Service States Marine Lines
SOUTH KOREA	American Mail Line States Line States Marine Lines	"K" Line Orient Mid-East Great Lakes Service Pacific Star Line States Marine Lines	"K" Line Maersk Line Mitsui O.S.K. Lines Orient Mid-East Great Lakes Service Pacific Star Line States Marine Lines
TAIWAN	American Mail Line States Line States Marine Lines	"K" Line Orient Mid-East Great Lakes Service Mitsui O.S.K. Lines Pacific Star Line States Marine Lines	Isthmian Line "K" Line Maersk Line Mitsui O.S.K. Line Orient Mid-East Great Lakes Service Pacific Star Line States Marine Lines
THAILAND	States Line	"K" Line Orient Mid-East Great Lakes Service States Marine Lines	Isthmian Line "K" Line Orient Mid-East Great Lakes Service Maersk Line States Marine Lines

trade lines



The Central American Common Market is doing a growing internal business. In 1959 trade between the five countries amounted to U.S.\$28 million; in 1963 it expanded to U.S.\$66.2 million. It continued to climb in 1964 (U.S.\$106 million) and in 1965 (U.S.\$128.4 million)—Guatemala City.

The Caracas frequency conversion agreement was signed early in March. Sponsored jointly by the Corporación Venezolana de Guyana and La Electricidad de Caracas, it paves the way for the power conversion of the capital and its metropolitan area from 50 to 60 cycles. This will enable Caracas to be linked directly to sources of hydro power on the Caroni River; these include the Macagua Dam, completed in 1961, and the huge Guri dam now under construction. Cost of the conversion is estimated at Bs. 150 million; Bechtel is the consulting firm—Caracas.

Television has come to Greece. Athens is now served by two small stations: one run by the National Broadcasting Institute (EIR), the other by the Armed Forces. Plans call for five small transmitters to cover the country and the network will be financed equally by the Government and private interests. An international call for bids will be held for both the transmitters and network and program servicing. Imported television sets are no longer subject to the previous embargo and some television manufacturers are planning assembly plants in Greece—Athens.

Norway has formulated a five-year telephone expansion plan which will cost 1,475 million kroner. To meet this cost, new subscribers since January 1, 1966, are required to "lend" the sum of Kr. 1,000 (in addition to the normal charge of Kr. 600) for the instrument and installation. The loans are to stretch over eight years and will bear an annual interest of 4½ per cent—Oslo.

An oil refinery to supply Far Eastern markets is to be built in Hong Kong by the Peninsula Petroleum Co., Ltd., a fully-owned subsidiary of the Oceanic Petroleum Corporation of New York. Groundwork on one million square feet of land acquired on Tsing I Island will begin this year, and the project will cost \$23 million—\$3.8 million for land and buildings, \$5.7 million for the installation of the refinery, and \$13.5

million for the petrochemical complex. The refinery is expected to start production in 1969; will turn out 10,000 barrels a day—Hong Kong.

The Kingdom of Libya's airline—KLA—instituted commercial services early in October between Tripoli and Benghazi, and regular flights to Rome and other European and African capitals. The line will operate from a new airport at Idris, near Tripoli, where a new terminal is to be built at a cost of several million—Rome.

The Nigerian Government has obtained two road development loans totalling approximately \$34.2 million from the World Bank. The first loan of \$18.5 million is to finance construction of two four-lane highways in the Lagos area, and the second the construction and improvement of three high-priority roads in the Western Region—Lagos.

A Pakistan plant to make concrete poles for locally installed 11 kv. and 66 kv. transmission lines will go into production by the end of December. The factory, establishment of which has been assisted by Canadian consultants, will manufacture 5,000 poles 36 and 45 feet high per year for transmission lines. This move will entail a savings of Rupees one million (\$200,000 approx.) otherwise required for the procurement of poles from abroad—Karachi.

The dried fruit industry in South Africa set a new export record in 1965 of more than Can.\$3 million—6,600 short tons compared with 5,400 during 1964. Britain is still the best customer, buying 3,900 tons a year; Canada with 323 and Finland with 299 tons come next. Japan has increased its imports and is also expected to become a major market—Cape Town.

Venezuela will spend U.S. \$350,000 to evaluate sulphur deposits located at El Pilar in northeastern Venezuela. The expansion and diversification of the industrial sector of Venezuela occasions a steadily increasing demand for sulphur. Last year, 25,000 tons were used to produce sulphuric acid; by 1970, requirements may reach 170,000 tons per year. The current world-wide shortage of sulphur is leading the Venezuelan Ministry of Mines and Hydrocarbons to look for new sources, both in sulphur deposits and from oil refining—Caracas.

Trade Commissioners on Tour

In Canada

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

Britain—M. R. Bell, Assistant Commercial Secretary in London:

Winnipeg, Toronto and Montreal—July 11-29

Colombia—J. C. Bradford, Assistant Commercial Secretary in Bogota, who will be posted to Cleveland, Ohio, as Vice Consul and Assistant Trade Commissioner:

Quebec City, Montreal, Toronto and Southwestern Ontario—June 22-July 8.

Germany—W. F. Hillhouse, Commercial Counsellor (Agriculture) in Bad Godesberg, who will be posted to Washington with the same title:

Montreal—June 16-18
Toronto—July 6-8

Winnipeg—August 20-29

Guatemala—P. D. Donohue, Assistant Commercial Secretary in Guatemala City:

Montreal—June 4-10
Toronto—June 10-17
Winnipeg—June 17-21

Vancouver—June 21-24
Hamilton—June 27

Hong Kong—R. K. Thomson, Senior Trade Commissioner in Hong Kong, who will be transferred to Duesseldorf, West Germany, as Consul:

Vancouver—June 27 and 28
Winnipeg—June 29

Montreal—September 6-7

Italy—W. J. Jenkins, Commercial Secretary in Rome, who will be posted to Karachi, Pakistan, as Commercial Counsellor:

Montreal—May 30-June 4
Toronto—June 6-10

J. H. Stone, Commercial Counsellor in Rome:

Montreal and Toronto—September 26-October 7

Lebanon—V. G. Lotto, Assistant Commercial Secretary in Beirut, who will be posted to San Francisco, California, as Vice Consul and Assistant Trade Commissioner:

Toronto—June 27-30

Pakistan—R. D. Sirrs, Commercial Secretary in Karachi, who will be posted to Wellington, New Zealand, as Commercial Secretary:

Montreal—June 24-30
Toronto—July 1-8
Hamilton—July 8

Winnipeg—August 11-12
Calgary—August 15
Vancouver—August 17-19

United States—N. W. Boyd, Commercial Secretary in Washington, who will be posted to Johannesburg, South Africa, as Trade Commissioner:

Winnipeg—May 23-24
Montreal—May 25-26

N. L. Currie, Consul and Trade Commissioner in Cleveland, who will be posted to Lagos, Nigeria:

Montreal, Toronto, Southwestern Ontario—May 17-30

M. R. M. Dale, Consul and Senior Trade Commissioner in Boston:

Toronto—April 30-May 6
and May 24-25
Regina, Saskatoon,
Winnipeg—May 16-20

Southern Ontario—April 25-29
Amherst, N.S.—May 26-27

A. W. Evans, Consul and Senior Trade Commissioner in Cleveland:

Toronto—May 1-7
Montreal—May 8-13

W. A. Stewart, Consul and Trade Commissioner in Boston, who will be posted to Santo Domingo, Dominican Republic, as Commercial Secretary:

Maritimes—August

K. D. Taylor, Consul and Assistant Trade Commissioner in Detroit, who will be posted to Karachi as Acting Commercial Secretary.

Toronto—May 26-27
Peterborough—July 18-19

Montreal—August 4-5

Temporary Duty in Ottawa

M. R. Bell, Assistant Commercial Secretary, London, May 30-June 10. Contact Commonwealth Division, phone: 992-2421.

G. E. Blackstock, Consul and Trade Commissioner in New Orleans, April 25-May 6. Contact United States Division, phone: 992-5176.

N. W. Boyd, Commercial Secretary in Washington, May 2-20. Contact United States Division, phone: 992-5176.

J. C. Bradford, Assistant Commercial Secretary in Bogota, Colombia, June 8-21. Contact Latin American Division, phone: 992-7641.

N. L. Currie, Consul and Trade Commissioner in Cleveland, May 31-June 3. Contact United States Division, phone: 992-5176.

M. R. M. Dale, Consul and Senior Trade Commissioner in Boston, May 10-13. Contact United States Division, phone: 992-5176.

P. D. Donohue, Assistant Commercial Secretary in Guatemala City, May 24-June 3. Contact Latin American Division, phone: 992-7641.

A. W. Evans, Consul and Senior Trade Commissioner in Cleveland, May 16-18. Contact United States Division, phone: 992-5176.

W. F. Hillhouse, Commercial Counsellor (Agriculture) in Bad Godesberg, June 19-30. Contact European Division, phone: 992-8727.

W. J. Jenkins, Commercial Secretary in Rome, Italy, June 13-24. Contact European Division, phone: 992-8727.

V. G. Lotto, Assistant Commercial Secretary in Beirut, Lebanon, July 4-15. Contact Asia and Middle East Division, phone: 992-5642.

R. D. Sirrs, Commercial Secretary in Karachi, Pakistan, June 6-17. Contact Commonwealth Division, phone 992-2421.

W. A. Stewart, Consul and Trade Commissioner in Boston, Massachusetts, June 8-17. Contact United States Division, phone: 992-5176.

J. H. Stone, Commercial Counsellor in Rome, June 28-30 and September 19-25. Contact European Division, phone: 992-8727.

K. D. Taylor, Consul and Assistant Trade Commissioner in Detroit, July 20-August 3. Contact United States Division, phone: 992-5176.

R. K. Thomson, Senior Trade Commissioner in Hong Kong, September 8-23. Contact Commonwealth Division, phone: 992-2421.

In Territory

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

Britain—K. R. Higham, Assistant Trade Commissioner in Liverpool, will visit Birmingham May 3-6.

W. R. Van, Trade Commissioner in Liverpool, will visit Manchester May 9-11.

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

Malta—J. H. Stone, Commercial Counsellor in Rome, Italy, will visit Malta May 16-20.

Michigan—H. S. Hay, Consul and Trade Commissioner in Detroit, will visit the entire northern peninsula of the State and the northern part of the southern peninsula June 24-30.

South Africa—S. B. McDowall, Assistant Trade Commissioner in Johannesburg, will visit Durban, Natal and area May 9-14.

Thailand—F. M. Mulkern, Assistant Commercial Secretary in Singapore, will visit Bangkok May 22-27.

United States—R. H. Gayner, Consul and Trade Commissioner in Chicago, will visit Minnesota and Wisconsin May 2-13.

Yugoslavia—R. J. L. Berlet, Assistant Commercial Secretary in Vienna, Austria, will visit Novi Sad and Belgrade May 15-23.

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

Foreign Tariffs and Trade Regulations

Canada

EXPORT PERMITS REQUIRED FOR HIDES, SKINS, LEATHER AND LEATHER MANUFACTURES—Effective March 24, individual export permits are required for hides, skins, leather and leather manufactures to be exported from Canada to all destinations, except the United States.

The Minister of Trade and Commerce informed the House of Commons, on March 23 that "under the powers of the Export and Import Permits Act, General Export Permit EX-2 has been amended in order to maintain Canadian access to United States supplies."

This action was required, Mr. Winters said, when "the U.S. Department of Commerce announced that export quotas had been established for cattle hides, calf and kip skins and bovine leathers to provide adequate supplies for domestic needs." Canada was exempt from the control, but "U.S. exporters are required to certify that exports to Canada are for consumption in Canada." The requirement of individual export licensing will permit the Canadian Government "to control possible diversion of United States supplies through Canada to offshore destinations."

United States

IMPORT QUOTA ON CHEDDAR CHEESE INCREASED—On March 31 the Minister of Trade and Commerce informed the House of Commons that "the United States had announced an increase of over 900,000 pounds in the U.S. global import quota on cheddar cheese for the balance of the current quota year, which ends June 30. . . . Under the existing quota Canada is restricted in its sales to the U.S. market to a total of 614,000 pounds annually. This amount will be immediately increased by Canada's share of the supplementary quota for the current year, some 200,000 pounds.

"In future years," continued the Minister, "Canada might expect to obtain access for as much as 1.8 million pounds of cheddar cheese annually. In addition, the special quota of 1.2 million pounds on aged cheddar cheese will be of particular interest to Canada as the world's premier producer of specialty aged cheddar. Canadian producers have won for themselves on the U.S. market a wide acceptance of this premium product."



The Ocean Freight Market

AVERAGE RATES in most dry cargo trades during the first quarter of 1966 were roughly at the levels of a year ago but with less fluctuation than in the same quarter of 1965. An initial easing of rates in the grain trades was followed by an increase towards the end of the quarter for movements from both the North Atlantic and Pacific coasts. Average rates in these grain trades were generally unchanged from those prevailing in the previous quarter. Rates for scrap iron and steel from the Pacific coast to Japan climbed upward during the quarter to approach the record levels established in the second quarter of last year. However, rates from the U.S. Atlantic coast to Japan for scrap iron and

steel declined as charterers turned to larger ships than are normally used in that trade. Time-charter rates for motorships continued at the high levels reached in the last half of 1965.

The tanker rate for black oil from the Caribbean to U.S. North Atlantic ports fluctuated during the quarter but the average rate was notably higher than the average rate in the first quarter of 1965. A sharp decline early in the quarter was followed by a strong recovery and the rate reached a peak in mid-quarter. From that peak, there was a steady fall until at the end of the quarter the rate was lower than the level prevailing a year ago.

CHARTER RATES—FIRST QUARTER 1966

The rates shown in column A are in sterling or U.S. dollars with the Canadian dollar equivalent in column B calculated at £=\$3.01 and U.S.\$=\$1.08. For comparison the rates a year ago are shown in column C with the Canadian dollar equivalent in Column D calculated at £=\$3.00 and U.S.\$=\$1.08.

TIME CHARTERS

The classes of ships indicated have been selected as representative for the purpose of illustrating time charter rates. Average rates per deadweight ton per month for the first quarter of the year were as follows:

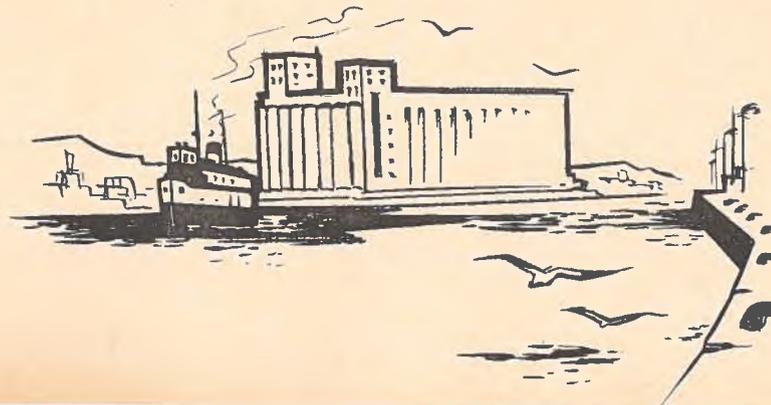
	1966		1965	
	First Quarter		First Quarter	
	A	B	C	D
	£ or U.S.\$	Can.\$	£ or U.S.\$	Can.\$
General Trading (approximately 6 months)				
Motorships 11,000-12,999 dwt. 13-14.9 knots	4.01	4.33	3.49	3.77
Motorships 13,000-14,999 dwt. 13-14.9 knots	4.19	4.53	3.45	3.73
Steamships 9,000-10,999 dwt. 9-10.9 knots	19s. 2d	2.88	2.70	2.92

TRIP CHARTERS

Average rates for the first quarter of the year were as follows:

	1966		1965	
	First Quarter		First Quarter	
	A	B	C	D
	£ or U.S.\$	Can.\$	£ or U.S.\$	Can.\$
Heavy Grain (per long ton)				
St. Lawrence to Britain	42s. 10d	6.45	45s. 0d	6.75
St. Lawrence to Belgium/Holland .....	.....	.....	4.53	4.89
St. Lawrence to France .....	.....	.....	5.25	5.67
St. Lawrence to Italy .....	.....	.....	6.78	7.32
St. Lawrence to Japan .....	.....	.....	13.25	14.31
St. Lawrence to U.S.S.R. Baltic	6.94	7.50	.....	.....
St. Lawrence to U.S.S.R. Black Sea	7.98	8.62	.....	.....
Churchill to Britain	50s. 0d.	7.53	.....	.....
Great Lakes to Britain	74s. 1d	11.15	72s. 1d	10.81
Completing St. Lawrence	42s. 6d	6.40	41s. 3d	6.19

	1966		1965	
	First Quarter		First Quarter	
	A	B	C	D
	£ or U.S.\$	Can.\$	£ or U.S.\$	Can.\$
Great Lakes to Belgium/Holland	9.80	10.58	8.78	9.48
Completing St. Lawrence	5.25	5.67	4.63	5.00
Great Lakes to West Germany			8.90	9.61
Completing St. Lawrence			4.80	5.18
Great Lakes to Japan	14.75	15.93	14.50	15.66
Completing St. Lawrence	11.63	12.56	11.50	12.42
Great Lakes to Denmark	12.43	13.42		
Great Lakes to Venezuela			9.25	9.99
Halifax/Saint John to Britain			44s. 6d	6.68
Halifax/Saint John to Belgium/Holland			4.85	5.24
Halifax/Saint John to West Coast of India	91s. 1d	13.71	83s. 2d	12.47
British Columbia to Britain	9.23	9.97	9.50	10.26
British Columbia to Belgium/Holland	7.72	8.34	7.70	8.32
British Columbia/North Pacific to Japan	8.38	9.05	8.33	9.00
British Columbia to West Coast of India	85s. 0d	12.79	80s. 0d	12.00
British Columbia to East Coast of India	92s. 6d	13.92	87s. 6d	13.13
British Columbia to the Philippines	9.24	9.98	10.07	10.88
British Columbia to Venezuela			8.03	8.67
British Columbia to Communist China	52s. 6d	7.90	56s. 2d	8.42
Coal (per long ton)				
Hampton Roads to Belgium/Holland	25s. 11d	3.90	27s. 10d	4.17
Hampton Roads to Japan	7.88	8.51	8.13	8.78
British Columbia to Japan	32s. 6d	4.89		
Lumber and General Cargo (per long ton)				
British Columbia to Britain			15.46	16.70
British Columbia to Australia			17.36	18.75
British Columbia to Italy			14.10	15.23
Lumber (spruce) (per standard)				
Cap Chat (Quebec) to Britain	420s. 0d	63.21		
Oilseeds (per long ton)				
British Columbia to Italy	14.50	15.66	11.96	12.92
British Columbia to Japan	8.88	9.59	9.06	9.78
Iron Ore (per long ton)				
British Columbia to Japan	4.85	5.24	5.00	5.40
Seven Islands to U.S. Gulf	1.50	1.62		
Potash (per long ton)				
British Columbia to U.S. Gulf (3 ports)	9.00	9.72		
Scrap Iron and Steel (per long ton)				
U.S. Atlantic to Japan	12.67	13.68	13.30	14.36
California to Japan	10.16	10.97	9.49	10.25
Oil Black (per long ton)				
Venezuela to Portland, Maine	2.02	2.18	1.57	1.70
Persian Gulf to Portland, Maine	4.71	5.09	5.02	5.42
Venezuela to Montreal	1.87	2.02	2.09	2.26



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 .9292

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent April 18	Units per Canadian dollar	Notes (see below)
Algeria	Dinar .....	.....	.2196	4.56	
Argentina	Peso	Free .....	.0057	176.68	
Australia	Dollar .....	.....	1.2026	.83	
Austria	Schilling .....	.....	.0417	23.98	
Bahamas	Pound .....	.....	3.0065	.33	
Belgium and Luxembourg	Franc .....	.....	.0216	46.25	
Bermuda	Pound .....	.....	3.0065	.33	
Bolivia	Peso .....	.....	.0915	10.92	
Brazil	Cruzeiro	Official Free .....	.0005	2,053.39†	
Britain	Pound .....	.....	3.0065	.33	
British Guiana	Dollar .....	.....	.6264	1.60	
British Honduras	Dollar .....	.....	.7516	1.33	
Burma	Kyat .....	.....	.2260	4.42	
Ceylon	Rupee .....	.....	.2255	4.42	
Chile	Escudo	Bank rate .....	.2851	3.51	
		Free .....	.2392	4.18	
Colombia	Peso	Free .....	.0605	16.53	
		Certificate .....	.1196	8.35	
Congo, Republic of	Franc .....	.....	.0072	139.47	(1)
Costa Rica	Colon .....	.....	.1625	6.15	
Cuba	Peso .....	.....	‡	‡
Czechoslovakia	Koruna .....	.....	.1495	6.68	
Denmark	Krone .....	.....	.1559	6.41	
Dominican Republic	Peso .....	.....	1.0763	.93	
Ecuador	Sucre	Official .....	.0598	16.72	
		Free .....	.0581	17.21	
El Salvador	Colon .....	.....	.4305	2.32	
Fiji	Pound .....	.....	2.709	.369	
Finland	Markka .....	.....	.3363	2.97	
France, Monaco, etc.	Franc .....	.....	.2196	4.55	(2)
Franco-African Republics, etc. ...	Franc .....	.....	.0044	227.79	(3)
French Pacific	Franc .....	.....	.0121	82.64	(4)
Germany	D Mark .....	.....	.2681	3.73	
Ghana	Cedi .....	.....	1.2527	.80	
Greece	Drachma .....	.....	.0359	27.86	
Guatemala	Quetzal .....	.....	1.0763	.93	
Haiti	Gourde .....	.....	.2153	4.64	
Honduras	Lempira .....	.....	.5381	1.86	
Hong Kong	Dollar .....	.....	.1879	5.30	
Hungary	Forint	Official .....	.0921	10.86	

†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. or Canadian banks at present.

Country	Unit	Type of Exchange	Can. dollar equivalent April 18	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official .....	.0250	40.00	(1)
India	Rupee .....	.....	.2255	4.42	
Indonesia	Rupiah .....	.....	*	*
Iran	Rial .....	.....	.0142	70.30	
Iraq	Dinar .....	.....	3.0135	.33	
Ireland	Pound .....	.....	3.0065	.33	
Israel	Pound .....	.....	.3587	2.78	
Italy	Lira .....	.....	.0017	581.06	
Japan	Yen .....	.....	.0030	335.57	
Lebanon	Pound	Free .....	.3476	2.87	
Malaysia	Dollar .....	.....	.3516	2.84	
Mexico	Peso .....	.....	.0861	11.61	
Morocco	Dirham .....	.....	.2153	4.65	
Netherlands	Florin .....	.....	.2964	3.38	
Netherlands Antilles	Florin .....	.....	.5707	1.75	
New Zealand	Pound .....	.....	2.9956	.33	
Nicaragua	Cordoba .....	.....	.1537	6.50	
Nigeria	Pound .....	.....	3.0065	.33	
Norway	Krone .....	.....	.1504	6.64	
Pakistan	Rupee .....	.....	.2255	4.42	
Panama	Balboa .....	.....	1.0763	.93	
Paraguay	Guarani	Free .....	.0091	109.89	
Peru	Sol	Free .....	.0401	24.94	
Philippines	Peso	Free .....	.2766	3.62	
Poland	Zloty	Fixed-basic rate .....	.0449	22.27	
Portugal & Colonies	Escudo .....	.....	.0374	26.74	(5)
Sierra Leone	Leones .....	.....	1.5085	.6629	
South Africa	Rand .....	.....	1.5033	.6644	
Spain and Dependencies	Peseta .....	.....	.0180	55.55	
Sweden	Krona .....	.....	.2087	4.79	
Switzerland	Franc .....	.....	.2490	4.02	
Syria	Pound	Controlled rate .....	.2817	3.55	
Thailand	Baht	Free .....	.0523	19.12	(1)
Tunisia	Dinar .....	.....	2.0610	.48	
Turkey	Lira .....	.....	.1196	8.35	(1)
United Arab Republic	Pound	Official	2.4754	.40	
United States	Dollar .....	.....	1.0763	.93	
Uruguay	Peso	Free .....	.0166	60.24	
Venezuela	Bolivar	Official Free .....	.2397	4.17	
West Indies	Dollar .....	.....	.6264	1.60	(6)
.....	Pound .....	.....	3.0065	.33	(7)
Yugoslavia	Dinar	Official .....	.0861	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.



In Taiwan—After these cans are sterilized they will be packed with Canadian powdered milk. This modern plant in Taipei is operated by a joint Chinese-Canadian firm.

Canada in Far Eastern Markets

Canadian exporters are invited to contribute to this series photographs of their products in use or on sale in foreign markets. Photographs should be adequately captioned, protected for mailing, and addressed to: The Editor, "Foreign Trade".



In Hong Kong—The breeding poultry were imported from Canada by a Hong Kong producer, shown here shaking hands with a representative of the Canadian firm (right) and R. G. Woolham (left), Canadian Trade Commissioner in Hong Kong.

In the Philippines—Substantial quantities of Canadian asbestos fibre went into these pipes. Manufacture of asbestos cement products is an important industry in the Philippines.

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