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FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA



**Development and
Trade in
South America**



FOREIGN TRADE

JANUARY 7, 1967

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COVER: The giant Araucaria, or Paraná pine, symbolizes the largest of the ten South American countries covered in this issue. Known throughout the world for its straight grain and high tensile strength, this evergreen, mainly from the State of Parana, helps to swell Brazil's export earnings.

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The Hon. ROBERT H. WINTERS, Minister.

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O. MARY HILL, Editor.

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This week saw the launching of an imaginative new campaign designed to exploit Canada's untapped export potential and reach a 1967 target of \$11.25 billion.

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COMING: CANADA AND THE WORLD BANK GROUP, JANUARY 21 ISSUE

TO ALL *Foreign Trade* readers I extend good wishes for this very special New Year for Canadians—1967, our country's Centennial of Confederation.

Canada has developed mightily in the 100 years. Indeed, the year just concluded saw economic achievements concerning which the export-minded can take considerable satisfaction. Gross value of Canadian merchandise exports exceeded \$10 billion for the first time. Our merchandise surplus will exceed \$250 million, a marked improvement on the preceding year. Our goods and services penetrated world markets in greater volume, diversity and degree than ever before. Canadian businessmen can properly take credit for these accomplishments.

But 1967 must see still greater effort and results. Sustained export growth is a key ingredient in economic expansion and essential to Canada's development along strong, sound lines. Our national deficit on balance of payments continues huge. If we are to keep borrowing abroad within manageable proportions, much of our foreign exchange needs must be covered by continued growth of exports.

The Kennedy Round of international trade and tariff negotiations is expected to reach a successful conclusion by mid-year. It will bring new opportunities and challenges, but we shall have to improve productivity to enhance our competitive position in world markets if we are to secure the full benefits of new trading opportunities. In particular, we must increase exports of manufactured goods: this sector of world trade is growing most rapidly, but we have failed to share in this growth as much as other highly industrialized countries.

Believing that a defined goal is conducive to effective increase in effort, I have set an export target of \$11.25 billion for Canada in 1967. This goal is attainable if we all work harder. It will be achieved the more easily with closer co-operation of government and businessmen.

To this end I have established an Export Advisory Council composed of senior Canadian businessmen so that I and the Department of Trade and Commerce may benefit from fresh, creative ideas on how government services and facilities might be improved. I have written to thousands of businessmen urging them either to increase their export activities or embark on exporting for the first time. I have asked Canadian subsidiaries of foreign companies to expand their export operations.

The Department of Trade and Commerce will be stepping up its own efforts in 1967. Senior Trade Commissioners are being brought home to make a cross-country tour for individual discussions with Canadian businessmen. When the itinerary and time-table are published, I urge present and potential exporters to seek appointments with these Trade Commissioners as an important step toward increased foreign sales.

Our trade missions program will be larger and will stress incoming missions. Sponsored visits of greater numbers of foreign businessmen and officials will provide commensurately greater opportunities for Canadian traders to extend existing contacts and develop new ones. Our trade fairs



program will continue unabated, to provide its special contribution to greater exports. Other departmental programs directed to particular sectors of our business community will be implemented.

Expo 67 will be the highlight of Centennial events. Sure to be a triumph, it can further international trade in at least two ways. Thousands of businessmen will be among our foreign visitors: urge your contacts to come and, while in Canada, to see you and pursue other business interests they may have. Expo 67's Business Development Bureau is specifically designed to assist foreign business visitors to develop any trade interests: you should therefore keep in touch with the nearest of the local committees organized in each major Canadian centre to receive foreign businessmen travelling in Canada.

The year 1967 will be a year of new initiatives, new endeavours and new programs by the Department of Trade and Commerce. It can be one of great achievement in Canada's export trade. May it be a prosperous New Year for us all.

A handwritten signature in dark ink, reading "Robert H. Winters". The signature is written in a cursive style with a large, prominent initial "R".

Robert H. Winters,
Minister of Trade and Commerce.

Zenith 01967 and *ESP**

Canada's Trade Harbingers for '67

A "GO, GO" CAMPAIGN, aimed at increasing Canadian exports to \$11.25 billion in 1967, got off to a flying start on Thursday, before the New Year and the nation's mammoth Centennial celebrations were even a week old. Trade Minister Winters launched this campaign at a meeting of the Empire Club of Canada in Toronto's Royal York Hotel on January 5. In revealing plans of his Department for a stepped-up export promotion effort as its Centennial Program, he reiterated his 1967 export target of \$11.25 billion. The next day, a national advertising program, designed to get more of Canada's businessmen active in exporting, broke in daily newspapers from coast to coast. A new acronym was born. A new communications network to give exporters a direct line to departmental counsel on export opportunities was inaugurated. And plans were announced for a coast-to-coast series of export conferences in which Trade Commissioners from practically every Canadian post abroad will be represented.

The Canadian business community barely had time to realize that the New Year had begun before the export promotion tide was flowing strongly. Sunday and Monday were holidays; Tuesday was a day to recharge batteries and refurbish New Year's resolutions; Wednesday meant a full day at the office—for many the first in 1967. And on Thursday the program was made public. Meanwhile, 6,600 presidents of Canadian companies found on their desks per-

sonal letters from the Minister urging them to put forward a maximum export effort in the Centennial year.

From the Minister's challenging speech to businessmen in Toronto two specifics emerged, like co-ordinates in map reading. One was essentially numerical—the telephone number ZENITH 01967. The other was alphabetical—the initials ESP*. Just as in a map-reading exercise, both co-ordinates were necessary to pinpoint position and measure progress.

Call ZENITH 01967

ZENITH 01967 was the new telephone number chosen by the Department to link exporters and prospective exporters with Trade and Commerce offices all across Canada.

Through its use, businessmen living in cities and towns where there are no Trade and Commerce offices need only, from now on, call the long distance operator and give her the Zenith number. They will be immediately connected with the nearest Trade and Commerce office. Companies in British Columbia (outside Vancouver and New Westminster), for instance, will be connected with the Vancouver Regional Office. Toll charges for the call will be paid by the Department. Similarly, firms in Alberta will ring into the Edmonton Regional Office. Saskatchewan and Manitoba callers will reach the Winnipeg office. Quebec business will reach the Montreal Regional Office; those in New Brunswick, Nova Scotia and Prince Edward Island will be connected with the

Halifax office and those in Newfoundland with St. John's.

Until the Toronto Regional Office is opened early in the spring, all Ontario calls will be connected with a special switchboard in the Department's Ottawa headquarters, from which calls can be routed immediately to any officer in the Department. When the Toronto office opens, calls from Ontario centers will be automatically routed to it.

The Zenith number cannot, however, be used in cities where there are already Trade and Commerce offices. Businessmen in Vancouver, Edmonton, Winnipeg, Ottawa, Montreal, Halifax and St. John's will continue to dial the telephone number indicated for the Department's offices in each of those cities. Only persons calling from exchanges outside the normal local calling area will be able to use the

number Zenith 01967. Exchanges in parts of the country that are wholly rural in character, with no industries likely to be producing products for export, may also be excluded from the Zenith network. They can, however, be added if any potential exporters served by such exchanges request this. Such requests should be forwarded to the manager of the nearest Regional Office or to the Director, Trade Publicity Branch, Department of Trade and Commerce, Ottawa.

This unique communications network—the Trans-Canada Telephone Association reports there is no other like it in North America—was established in the belief that more Canadian businessmen might be prompted to consider the prospect of marketing their goods abroad if they could establish communication with the Department's export specialists simply, easily and instantly.

The telephone network, in fact, was a logical outgrowth of departmental thinking that began when it was decided to put the eleven and a quarter billion dollar challenge to Canadian exporters last fall. The gold-lined gauntlet was flung down at a meeting of the Canadian Export Association last October by Trade Minister Winters. But long before that, departmental officials had been planning ways and means to project the nation's export performance along the steadily rising trend line it had been following since the end of World War II.

The Export Equation

From the beginning, it was apparent that the only way to maintain, let alone increase, the rate of growth of Canada's export sales would be to get more Canadians into the export business. Officials concluded that hundreds of Canadian companies had export sales potential but simply had not realized it. *Export Sales Potential*. That was the starting point for the alphabetical exercise that produced ESP*.

What such companies needed, the reasoning continued, was first to recognize that they had *Export Sales Potential* and then to find some means of translating that potential into *Export Selling Power*. That, in the final analysis, was the one ingredient that successful exporting companies all possessed.

In the meantime, the Department of Trade and Commerce existed as a government organization prepared to work with any company, any industry, any group of companies in what amounted to an *Export Sales Partnership*. The Department had experience, information and facilities which are at the service of any prospective exporter. So, the Department inquired of itself, why don't we get together?

What's more, at least one official concluded, companies that took the ESP* route to new business and greater volume were more often than not able to *Enjoy Substantial Profits*.

Thus was born the equation: $\text{Export Sales Potential} + \text{Export Sales Partnership} = \text{Export Selling Power} = \text{ESP}^*$. This will be the theme of the advertising campaign launched in the daily newspapers on January 6 and 9 and continuing in business, financial, management and marketing weekly and monthly publications. The opening advertisement concentrated on ESP* and the new Zenith telephone numbers. Future advertisements will present case histories of Canadian companies that have developed their *Export Selling Power* successfully with the help of the Department.

Meanwhile, plans are rapidly shaping up for "Operation Export Opportunity," which will bring over 60 Canadian Trade Commissioners home from practically every post abroad in April, to begin an eight-week tour of Canada. After a week of departmental conferences in Ottawa, the Trade Commissioners will move to Montreal for ten days, ending just before the opening of Expo 67. Businessmen from the Quebec area with interests in specific markets will be able to arrange interviews with the officials who are stationed in those countries and explore export possibilities in detail. Registration questionnaires will be sent out to thousands of business firms in January and interviews will be programmed to make the best use of the valuable time of both businessmen and Trade Commissioners.

Details of the Trade Commissioner Conference program will be the subject of another article in an early issue of *Foreign Trade*.

In the meantime, have you checked your ESP*? It might be a profitable exercise. ●



Latin America's

Twenty: Similar but Different

The twenty countries included in the term Latin America differ widely, economically speaking, but most depend on one crop or one commodity to provide export income and this presents problems.

R. A. BULL, *Chief, Latin American Division.*

THERE ARE twenty countries in South America, Central America, and the Caribbean which are for convenience called Latin America. They share a culture based on the Latin language, classical civilization, and Roman Catholicism. They continue to be influenced by this background but have evolved greatly since the first Spanish, Portuguese or French conquerors and settlers arrived in the New World nearly four hundred years ago. The differing indigenous populations and the degree to which these have mixed with the newcomers, the immigration of the hundred years or so since most of the republics became independent, the influence of isolation, of climate, of agricultural and industrial development, of secularism and foreign ownership, of national resources, of education and politics all vary. They have reacted to produce twenty states with many similarities—and many individual differences.

Looked at from the viewpoint of their economic progress, the common factors are low per capita incomes, a small range of industries, an inadequate level of agricultural development, and a relatively limited level of literacy—the normal characteristics of developing countries. Using these criteria, most of the world could be classed as less developed and in fact the economies of some Latin American countries are closer to ours than

they are to some of their fellow Latin Americans and other less developed nations of the world. Mexico, for instance, is close to the point of achieving self-sustained growth and Venezuela's per capita income is more than half the Canadian but five times the Ecuadorian.

Three Groups of Traders

As traders, Latin American countries fall into three groups.

1. Venezuela, Mexico, Brazil and Argentina, whose individual exports

and imports each total over a billion U.S. dollars a year.

2. The middle group, whose trade, imports and exports combined, exceeds a billion dollars a year. These include Peru, Chile, Colombia, the Central American Common Market countries, and Cuba.

3. The rest, with Haiti (total trade about \$80 million) in last place.

Excluding Cuba, Latin America's imports in 1965 were a few thousand

LATIN AMERICA'S CHIEF COMMODITY EXPORTS

| Country | Commodity | Percentage of | |
|-------------|-----------|-------------------------|----------------------------|
| | | Country's total exports | World exports of commodity |
| Argentina | beef | 24 | 46 |
| Bolivia | tin | 71 | 15 |
| Brazil | coffee | 53 | 40 |
| Chile | copper | 69 | 29 |
| Colombia | coffee | 68 | 16 |
| El Salvador | coffee | 49 | 4 |
| Ecuador | bananas | 60 | 25 |
| Guatemala | coffee | 51 | 4 |
| Mexico | zinc | 3 | 19 |
| | cotton | 20 | 9 |
| Venezuela | petroleum | 90+ | 6 |

dollars less than Canada's and about 5 per cent of the Free World total.

Markets and Suppliers

The largest source of Latin America's imports is the United States (40 per cent) followed by Western Europe (30), other Latin American countries (10), the state trading countries (7), Japan and Canada (about 4 each). Some 40 per cent of Latin American imports consist of capital goods, a percentage that is increasing; 35 per cent are raw and intermediate materials, also increasing, 15 per cent are consumer goods (particularly non-durables) and this percentage is decreasing, 8 per cent fuels, and 2 per cent miscellaneous. The changing percentages reflect the growing Latin American self-sufficiency in consumer goods, the tremendous demand for industrial and transportation machinery and equipment, and the need to import raw materials to supply the new industries.

Latin American exports increased in value by 30 per cent between 1960 and 1966, in the same period that Canadian exports rose over 45 per cent. However the Latin American share of world exports declined slightly from 7 to 6 per cent as a result of the overall growth of world exports. North America and Western Europe each absorbed just over one third of Latin American exports, Latin America itself absorbed one tenth, and Japan 5 per cent. The share of exports going to North America has been decreasing as exports to Europe, Latin America and Japan have increased.

Latin American exports remain much the same as in past years: foods and beverages (coffee, sugar, cocoa, wheat, meat, bananas and fishmeal) 40 per cent; fuels, mostly Venezuelan oil, 30 per cent; raw materials (copper, iron ore, lead, zinc, tin, silver, wool, hides, hard fibres, cotton) 20 per cent; manufactured goods, chemicals, and machinery 10 per cent.

Commodity Problem Difficult

Nearly all the world's less developed countries share a common problem. The cost of their imports continues to rise while the prices paid for their exports fall. Comparing commodity prices between 1958 and 1965, cocoa has fallen, coffee fell then rose again, copper is well up, cotton is

lower, sugar on the world markets sells at less than the cost of production, tin has doubled in price. Bolivia is better off today than in 1958 and so are Chile and Peru as long as copper remains in short supply. But the other Latin American states are worse off, despite what are generally considered to be good prices for most of the commodities they export.

The second common problem of the less developed is a one-crop and/or one-export economy. This places a country at the mercy of price fluctuations in its one commodity. Efforts have been made to stabilize commodity prices but only when there is a continuing shortage have they been successful over the longer term. The single export problem in Latin America is easily seen in the table on the previous page.

There seems to be an interesting correlation between a commodity's share of a country's exports and its share of world exports. Where the former is low and the latter is high—for example, Canada and newsprint, 16 per cent and 43 per cent—the exporter is well placed. Where the reverse is true, as in Central American coffee, the exporter tends to be weak. Where both are high, for example, Brazil and coffee, the exporter may dominate the trade but suffers severely from any irregularity in price.

Latin American Governments are well aware of the rising expectations of their citizens now that they have accepted the development goals of the *Alliance for Progress*. In an effort to overcome their traditional problems of isolation, poor transport and communications, and limited national markets, they have turned to inter-American economic and trading organizations. Notable among these are the Central American Common Market and the Latin American Free Trade Association.

Since 1960, when the Common Market and Free Trade Association were established, both groups have made steady progress. Today the five Central American countries enjoy internal free trade in nearly all their products and a common external tariff is well on the way. The larger group has advanced more slowly but with the recent adherence of Venezuela it now includes all the significant industrially developed nations in Latin America. ●

Canada's Trade with Latin America

Canada's exports to the Latin countries have risen by over 350 per cent since the war; our imports from them have gone up by 325 per cent. This article discusses what we buy from and sell to them and the influences bearing on this two-way trade.

D. C. KNOWLES,
Latin American Division.

IN THE TWO DECADES since the end of the Second World War, Canada's trade with the twenty republics of Latin America has more than trebled. Although imports and exports have shared almost equally in this growth, the disparity between the volume of imports and the volume of exports evident in Table I is a feature of Canadian trade with Latin America. It is directly attributable to our substantial volume of oil imports from Venezuela.

Exports

The rise in Canadian exports to Latin America in the last two decades has just about matched the over-all expansion of Canadian exports. (See Table II.)

Although Canada's exports to Latin America comprised only 3.7 per cent of all Canadian exports in 1965, some of the individual Latin American countries absorb large amounts of our products. In fact, in 1965 four Latin American countries ranked among the top 25 Canadian markets—Venezuela \$73 million, Cuba \$53 million, Mexico \$51 million, and Argentina \$33 million. The area as a whole buys as much as Japan (\$316 million), our third largest single customer (after the United States and Britain). Sales to members of the Latin American Free Trade Association (\$159 million) fall between those to West Germany (\$190 million) and Australia (\$140 million). The Central American Common Market is purchasing an annually increasing amount of Canadian goods (in 1965 some \$17 million) and now absorbs approximately as much as the Republic of Ireland.

Canada's exports to Latin America cover a wide range of products but manufactured goods, machinery and transport equipment constituted nearly three fifths of these shipments in 1965. Food and live animals totalled more than a quarter of all our exports to the area and raw materials made up a little more than one tenth.

A detailed examination of the export statistics shows that eight items account for more than half of all Canadian exports to the area. (See Table III.)

These items are marketed widely throughout the region and in only one instance do exports of a single item to one destination exceed 50 per cent

of the total exports of that product to the whole area—\$16 million of the \$24.5 million of passenger autos were shipped to Venezuela.

It is interesting to note that for four of the eight items (that is, sheet and strip steel n.e.s., wheat, flour, plastic and synthetic rubber not shaped, and passenger automobiles and chassis) shipments to Latin America constitute a significant part of total Canadian exports of these to all countries. (See Table III.)

Substantial variations in our total exports to Latin America occur from year to year. These fluctuations are the result of a number of factors, including:

1. Internal economic and political conditions.
2. The availability of international financing.
3. The shipment of large special orders such as railway locomotives or production machinery (sometimes over more than one year).

Effect of Local Production

In addition, a fourth factor is becoming more evident: the growth of local production. Although this may result in substantial reductions or the complete elimination of Canadian exports of particular items, it is not unknown to find the new plant importing Canadian materials or components. Thus the reduction in our total exports may not be as large as the loss of the former export would suggest.

These conditions vary in their intensity from year to year, and their effect on the volume of Canadian exports to the area also varies. The result is that the over-all growth in our exports to Latin America in the last two decades has not been steady year by year. In fact, it has included substantial decreases from time to time as well as varying rates of growth. Nevertheless, as the economies of the Latin American countries develop and broaden, so will the opportunities for Canadian exporters.

Imports Have Trebled

In parallel with our exports, our imports from Latin America have also more than trebled in the last two decades. This growth has, however,

TABLE I
CANADIAN TRADE WITH
LATIN AMERICA

| | 1946 (Can.\$million) | 1965 | Growth ratio |
|--------------|-------------------------|--------------|-----------------|
| Exports | 92.6 | 315.7 | 3.5 |
| Imports | 125.6 | 411.5 | 3.2 |
| Total | 218.2 | 727.2 | 3.3 |

TABLE II
GROWTH OF CANADIAN EXPORTS
TO LATIN AMERICA

| | 1946 | 1955 | 1965 | Growth ratio 1946/ 1965 |
|---------------|------------------|-------|-------|----------------------------------|
| | (Can.\$ million) | | | |
| World | 2,299 | 4,328 | 8,523 | 3.7 |
| Latin America | 93 | 161 | 316 | 3.5 |
| United States | 905 | 2,601 | 4,839 | 5.4 |
| Britain | 595 | 772 | 1,174 | 2.0 |
| Other | 407 | 546 | 2,194 | 5.4 |

TABLE III
MAJOR CANADIAN EXPORTS TO
LATIN AMERICA

| | 1964 (Can. \$million) | 1965 |
|---|-----------------------------|--------------|
| Wheat | 43.1 | 43.1 |
| Wheat flour | 17.4 | 21.7 |
| Asbestos fibres grades 4 & 5 | 9.4 | 10.1 |
| Plastic and synthetic rubber, not shaped | 13.5 | 14.1 |
| Newsprint | 27.3 | 34.1 |
| Sheet and strip steel n.e.s. | 14.5 | 14.1 |
| Aluminum pigs ingots and slabs | 11.4 | 10.8 |
| Passenger autos and chassis | 7.1 | 24.5 |
| Total major exports | 143.6 | 172.6 |
| Total all Canadian exports | 328.2 | 315.8 |
| Major items as a per cent of total | 51 | 55 |

The above items as percentages of total
Canadian exports of these commodities

| | 1964 | 1965 |
|---|------|------|
| Wheat | 4.5 | 5.6 |
| Wheat flour | 17.4 | 30.3 |
| Asbestos fibres grades 4 & 5 | 9.3 | 10.4 |
| Plastic and synthetic rubber, not shaped | 15.8 | 18.0 |
| Newsprint | 3.3 | 3.9 |
| Sheet and strip steel n.e.s. | 50.1 | 43.0 |
| Aluminum pigs, ingots and slabs | 3.8 | 3.2 |
| Passenger autos and chassis | 10.4 | 16.5 |

matched neither the rise in our total imports nor the rise in our imports from either the United States or Britain. (See Table V.)

In 1965 approximately 5 per cent of our total imports originated in Latin America. Indeed Venezuela is our third largest supplier (\$255 million) after the United States and Britain, and stands ahead of both

TABLE V

GROWTH OF CANADIAN IMPORTS FROM LATIN AMERICA

| | 1946 | 1955 | 1965 | Growth ratio 1946/1965 |
|---------------|-------------------|-------|-------|------------------------|
| | (Can. \$ million) | | | |
| World | 1,841 | 4,568 | 8,633 | 4.7 |
| Latin America | 126 | 319 | 412 | 3.3 |
| United States | 1,387 | 3,331 | 6,045 | 4.4 |
| Britain | 137 | 393 | 619 | 4.5 |
| Other | 191 | 525 | 1,557 | 8.2 |

TABLE VI

MAJOR CANADIAN IMPORTS FROM LATIN AMERICA

| | 1964 | 1965 |
|----------------------------------|------------------|--------------|
| | (Can. \$million) | |
| Bananas | 30.1 | 31.2 |
| Raw sugar for refining | 4.5 | 3.4 |
| Green coffee | 52.2 | 47.8 |
| Raw cotton | 1.5 | 5.1 |
| Sisal and agave fibres | 4.4 | 2.9 |
| Iron ore | 3.8 | 2.4 |
| Crude petroleum | 242.9 | 208.4 |
| Diesel and tractor fuel | 4.9 | 13.7 |
| Fuel oil No. 2 and No. 3 | 13.5 | 18.1 |
| Fuel oil/heavy oil | 10.2 | 15.3 |
| Total major items | 368.8 | 348.3 |
| Total Canadian imports | 423.6 | 411.8 |
| Major items as per cent of total | 87.1 | 84.6 |

The above items as percentages of total Canadian imports of these commodities

| | 1964 | 1965 |
|-------------------------|------------|------|
| | (per cent) | |
| Bananas | 98.9 | 99.4 |
| Raw sugar for refining | 4.5 | 6.4 |
| Green coffee | 69.7 | 66.3 |
| Raw cotton | 2.5 | 8.0 |
| Sisal and agave fibres | 29.5 | 31.5 |
| Iron ore | 5.6 | 3.9 |
| Crude petroleum | 75.8 | 66.7 |
| Diesel and tractor fuel | 50.4 | 78.7 |
| Fuel oil No. 2 & 3 | 61.0 | 70.8 |
| Fuel oil /heavy oil | 27.6 | 28.6 |

Japan (\$230 million) and Germany (\$210 million).

As with exports, a relatively few items make up the bulk of the trade. (See Table VI.) In nearly every instance, imports of individual items form significant proportions of total Canadian imports of that particular item. (See Table VI.)

It is interesting to note that these imports consist almost entirely of tropical foodstuffs and raw and semi-processed materials. Generally speaking, our imports of particular commodities are largely drawn from one or two countries in the area: bananas come from Central America and Ecuador, raw cotton from Mexico, and crude petroleum from Venezuela. Although we import coffee from

fifteen Latin American countries, more than half originates in Brazil and Colombia. The remaining 15 per cent of our imports do not cover a very wide range of products and are in fact similar in over-all character to the ten major items—foodstuffs and basic materials.

Canadian imports from Latin America will probably continue to expand with our own population and economy but startling increases appear unlikely. For the most part, our imports are tropical agricultural products or raw materials that have a unique economic advantage. Beyond these categories, Latin American exports tend to be competitive with rather than complementary to Canadian exports and consequently would not easily find markets here. ●



These editors from Latin American publications recently met with Department of Trade and Commerce officials. The journalists were in Canada covering the International Labor Conference. Maurice Schwarzmann, Assistant Deputy Minister (Trade Policy), sits between two of the senior editors from Brazil and Argentina.

*New government launching program to
stabilize economy, quicken progress as*

Argentina Resumes Its Advance

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

ARGENTINA entered a period of mild recession in late 1965 which continued until the second quarter of this year. During the past few months, however, gross domestic product has risen and although it is not yet at the level of mid-1965, the economy appears to be recovering.

On June 20 the Radical Government of President Illia was replaced by a military "Junta" which named Lieutenant General Juan Carlos Onganía as President of the Republic. The military have indicated that they wish to remain in power as long as is necessary for improving the country's economic position and, although no definite time has been set, opinion here is that the regime will likely remain in power for at least half a decade.

In the changeover of government the military indicated, among other things, that there was a need to increase private participation in Argentine economic affairs, to limit state intervention, to reorganize state entities, and to reconsider the entire monetary policy of the country. In general, the change was welcomed by Argentines, although there was some reservation as the country waited to see what policies the new Government would implement.

Measures Already Taken

To date, several structural changes have occurred within Government and other changes are being considered. It has been announced that several state entities will be returned to private enterprise and these plans are progressing. Upon assuming office, the authorities hastily prepared a budget for the remainder of this year and although very little could be done to improve the current situation, the

Government said that the budget for 1967 will be announced before January 1967. It will be both more realistic and more severe than for some time.

The peso has been devalued twice since June. The latest devaluation came on November 8 and brought the peso to 245 per U.S. dollar for selling and 255 for buying. It is hoped that this change has brought the currency closer to its real value and that this, coupled with stringent domestic policies aimed at curbing inflation and costs, will strengthen the monetary position and place the peso again in a firm position vis-à-vis international currencies.

The new Government has also undertaken to review many areas of the country's services sector and programs for improving railroads, highways, ports, communications and electrification are being prepared. Few changes have yet been made, but it appears that President Onganía is determined to tackle the most critical problems in a firm manner and the situation today is quite different from that of a year ago.

Plus and Minus Factors

During the first nine months of 1966 gross national product is estimated to have fallen slightly from the previous year, mostly because of a poor first quarter. The financial deficit rose by approximately 145 billion pesos primarily because of the deficits of state enterprises. Investment in industry was low as business activity lagged and inflation was coupled with considerable business uncertainty. Several positive aspects were noted: the most important was the improved foreign trade position and the surplus in the balance-of-payments account. During the first nine months of the

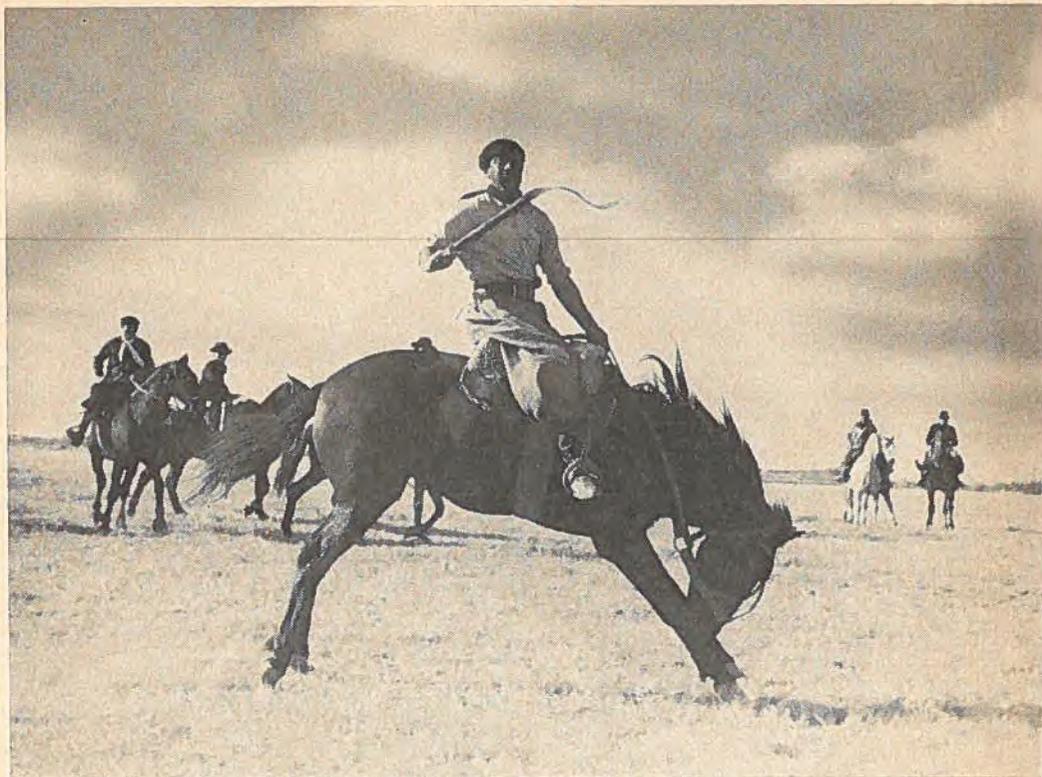
year, Argentina achieved a U.S.\$49 million surplus in the balance of payments and this improved the Central Bank's gold and foreign exchange position. Exports increased by 9.7 per cent and imports decreased by some 15 per cent compared with the corresponding period last year. During the same period the official cost-of-living index rose by 27.3 per cent compared with 35.4 per cent last year.

One of the major problems facing Argentina during the past two years has been meeting its external debt commitments. During 1965 and early 1966 external bonds were issued. This effectively spread part of this debt over five years and this, plus a favourable trade balance, coupled with foreign investment, has resulted in meeting obligations. Last year was the most serious period as the Government faced almost \$900 million worth of debt, not including much of the private debt. This year Banco Central has calculated that debt obligations will be U.S.\$534 million, but again not all private debt is included. As the debt falling due next year is again reduced, the critical period appears to have been passed and with solid management the debt burden will be kept more in line with the country's ability to pay. Unlike last year, it has not been necessary to renegotiate with Paris Club countries and others any of the 1966 commitments.

Grain and Meat Production

Agricultural conditions have changed from those of 1965. Grain production decreased, primarily because of the large decline in wheat output from 11.3 million to 5.4 million tons. Partially compensating for this, however, was a larger corn crop: over 7 million tons of corn were harvested, the larg-

The pounding of hooves and the yells of the gaucho have, for years, been one of the most universally accepted symbols of Argentina. Here, out on the pampas, one of this hardy breed displays his riding skills for his friends.



est yield since 1943. Production of grain sorghum, sunflowerseed and tung nuts also rose. During the first 10 months of 1966 grain exports equalled 9.4 million tons compared with 8.85 million last year. Wheat continued to be the primary export, accounting for 51 per cent of the total, corn accounted for 35 per cent, and grain sorghum for 8 per cent. Most of the grain, however, has now been moved into export markets and by the end of the year total shipments will likely be close to those of last year.

It appears that the wheat harvest this year will reach 7 million tons and producers are likely to sow a larger corn crop. The weather was unfavourable earlier in the year but it has changed for the better and growing conditions are back to normal.

The livestock industry has been suffering from a weakening in prices and the increase last year is unlikely to be equalled in 1966. Because cattle numbers went up in 1965, sales rose somewhat during the early part of 1966 and this has been reflected in larger export shipments. The increase, however, has not been as great as was

expected because of a simultaneous rise in domestic consumption and a drop in demand in traditional markets. Spain has become the second largest buyer of Argentine beef, with the National Meat Board negotiating quarterly contracts with that country. By early September, Spain had imported 30,000 tons of Argentine chilled and frozen beef.

Emphasis on Agriculture

President Onganía in a recent speech has laid great emphasis on the importance of agriculture in Argentine economic development. For many years primary emphasis was placed on industrial development in this country, often at the expense of agriculture. The new Government intends to change this and to seek ways and means for both sectors to progress simultaneously. To do this, taxation policies are being reviewed, as are credit programs. Agricultural productivity has been rising slowly during the past few years after a long period of stagnation. It is expected that this growth will continue, probably at an increasing rate, as basic problems besetting the industry are overcome.

Industry Has Mixed Record

Although manufacturing increased by 13 per cent during the second quarter of the year, the first semester output was only equal to that of last year because of the slight recession which continued into the early months of 1966. Hardest hit were the automotive, agricultural machinery, iron and steel, and textile industries. On the other hand, the chemical, paper, construction and foodstuff sectors continued to expand and this offset declines in the other areas. Crude oil production increased 8 per cent to 8.2 million cubic metres; portland cement production by 3.6 per cent, alcohol distilled from sugar by 1.1 per cent. Output of fuel and electricity also increased substantially. The index value of retail sales in the city of Buenos Aires rose by 33 per cent, although the index of physical volume decreased by 3.8 per cent.

Argentina continues to need much more development in its industrial sector, including service industries. The advisability of installing a nuclear power station of either 350 or 500 mw. capacity is now being dis-

cussed. This will complement hydro-electric programs, also being planned. Production of electric energy amounted to 5.7 million kwh. during the first half of 1966, compared with 5.4 million last year. This is sufficient to meet demand at present but a shortage of power is expected by the end of this decade if further plants are not installed. A railway rehabilitation program, a port improvement project, and a highway building and repair scheme are all part of the design.

Foreign Investment Encouraged

Argentina also requires foreign investment if industrialization is to succeed. A year ago foreign oil contracts were being annulled and there was a general feeling that foreign investment would have to be rigidly controlled. This has now changed and the new Government is attempting to develop confidence so that more investment capital will flow into the country from both public and private sources. President Onganía has indicated that it will be necessary and desirable to have foreign oil companies participate in the local petrochemical industry and has already authorized certain of the foreign companies located here to increase the capacity of existing refineries. Many foreign companies are investigating the local market and the inflow of development capital is expected to increase in coming months.

Exports Up, Imports Down

Argentine exports for the first six months of 1966 equalled U.S.\$877.1 million, approximately 20 per cent greater than last year. Imports, on the other hand, totalled only U.S.\$522.2 million, 10 per cent less than during the corresponding period of 1965. The surplus on the merchandise account more than offset the outflow of invisibles, leaving a balance-of-payments surplus of some U.S.\$44.7 million.

Table I lists principal exports for the first nine months of 1966, and comparative figures for last year.

The increase in exports resulted primarily from greater movement of cereals (particularly corn), meat and wool. However, all classes of exports increased, with the exception of live animals, dairy products and particularly oilseed byproducts. As most of the cereal crops have now been exported,

TABLE I
ARGENTINE EXPORTS

| | 9 months | |
|--|---------------|-------|
| | 1965 | 1966 |
| | U.S.\$million | |
| Cereals and linseed | 412.8 | 490.8 |
| Meat | 237.7 | 275.7 |
| Oilseeds, excluding flax, and byproducts | 138.4 | 119.8 |
| Wool | 89.7 | 103.3 |
| Hides | 32.1 | 57.0 |
| Fruit | 26.8 | 34.8 |
| Live animals | 21.0 | 13.5 |
| Dairy products | 20.2 | 16.4 |
| Wheat flour | 19.7 | 17.2 |
| Forestry products | 10.4 | 12.6 |

TABLE II
WHAT ARGENTINA IMPORTS

| | 6 months | |
|-------------------------------|---------------|------|
| | 1965 | 1966 |
| | U.S.\$million | |
| Machinery and equipment | 140.0 | 71.6 |
| Iron and steel | 94.5 | 68.3 |
| Chemicals and pharmaceuticals | 63.2 | 62.5 |
| Combustibles and lubricants | 55.4 | 58.7 |
| Wood and wood products | 42.1 | 24.7 |
| Textiles | 27.0 | 13.4 |
| Paper and paper products | 22.3 | 22.7 |
| Rubber and its products | 19.9 | 14.2 |

the pace will probably slacken during the last quarter of this year. However, by year-end exports should be slightly higher than the U.S.\$1,493.4 million of last year.

Restrictions Affect Industry

Imports during the first half of 1966 fell because of the continuing heavy restrictions. Not only are high duties applied to most commodities entering the country considered to be non-essential but many goods needed for industrialization are entering under prior deposits and term payments.

Most classes of imports declined during the first half of the year; the largest group of affected items was machinery and equipment. In fact, only petroleum and paper imports maintained the pace of last year.

With inventories low and plant and equipment now reaching the point when they need replacing, imports have fallen to a critical low. Not only does established industry require greater imports if production is to be maintained but new industry also needs foreign materials and equipment. Although the import rate may not rise very much during the remainder of 1966, this must come in

1967 if the Government's desire to raise industrial production is to be realized.

Forecasting Is Difficult

It is difficult to forecast what the remaining months of 1966 and early 1967 will produce for the Argentine economy. Heavy inflationary pressure which will affect costs and prices will probably continue. However, with liquidity in the industrial sector now improving from the situation prevailing during the first few months of the year, production and demand are expected to rise and the recession to ease. The picture will become clearer once the new Government has announced further policies it is now studying.

The Government has stated that its program of revitalizing the Argentine economy will be carried out in stages; the first will be a program of transition to be completed by 1968 and this will be followed by a program of insuring stabilization and development. Some of the Argentine community feel that progress to date has been slow, but this must be tempered by the thought that the Government has stated it will remain in power until the job is done and that it is not going to be hurried in its planning.

Good opportunities remain for foreign participation in Argentine development, not only by supplying resources required by present industry and not available locally, but also by participating in new projects. Many of the state entities are to be restructured. The railways have a major reorganization and rehabilitation job ahead of them. Ports must be improved and some 6,000 kilometres of roads either built or repaired. Many feasibility studies are required both in the private and the public sectors and consulting engineering opportunities are increasing. As in the past year, there will be a need for external financing from both private and public sources and for foreign capital investment.

Although Canadian imports this year have fallen slightly because of the restrictions placed on goods entering Argentina, this should be only a temporary phenomenon. Our products continue to be well received and Canada is looked upon as a natural supplier of many of the goods and services Argentina requires. ●

Canada's Trade with Argentina

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

IMPORTS INTO ARGENTINA have for the past seven years been subject to high surcharges in addition to customs duties and this has restricted them mainly to items required for local industry. Among the more important of these are machinery and vehicles, iron and steel, chemicals, pharmaceutical products, fuels and lubricants, non-ferrous metals, lumber, food products, textiles, paper, cardboard and rubber. Consumer products have almost disappeared from import lists because of the very high duties and surcharges previously mentioned and many are in fact prohibited entry.

In spite of restrictions, imports during 1965 increased by 10 per cent over 1964 to U.S.\$1,198 million, compared with U.S.\$1,077 million in 1964. There was, however, a substantial drop during the first seven months of 1966 and it is expected that imports for the full year 1966 will be about 10 per cent less than in 1965, or about equal to those of 1964.

Canada's exports to Argentina during 1965 totalled Can.\$32.7 million compared with Can.\$26.9 million in 1964 and were the second largest on record—slightly under those of 1963,

the all-time high. It is interesting to note that during 1965 no capital equipment such as railway locomotives, road machinery, etc., was included in Canada's sales to Argentina but these commodities contributed greatly to our exports during 1963. In 1965, exports of most traditional

items increased and new products were added.

Canada's exports to Argentina during the first seven months of 1966 totalled Can.\$15.1 million compared with Can.\$18.3 million for the corresponding period of 1965.

The table confirms that almost the total difference in our exports during the first seven months of 1966 resulted from the near disappearance of shipments of "plastics and synthetic rubber, not shaped," during 1966, because local manufacture of a product in this category by a large petrochemical complex began during the latter part of 1965.

Prospects for Canadian sales to Argentina continue bright within the list of goods which can be imported under low import surcharges. These, as previously stated, fall within the category of raw and semi-processed materials required by Argentine agriculture and manufacturing industries and products not normally manufactured in the country, such as certain types of process and industrial machinery. Although our exports during the first seven months of 1966 totalled \$3.2 million less than for the corresponding period of 1965, it is anticipated that total exports during 1966 will be rather close to those of 1965. This is because large sales of capital equipment such as road machinery, etc., contracted earlier in 1966, will not appear in our export figures until later this year.

Although imports into Argentina during 1966 may be about 10 per cent below those of 1965, it is expected that during 1967 they will rise sharply because of the need for plant equipment for existing industries and raw materials and equipment for new industries expected to be established during the year.

Because of Argentina's balance-of-payments position, term payment regulations were established late in 1964 by the Central Bank for specific commodities, particularly certain types of machines and machinery products. For this reason it is not possible, except in exceptional cases, to sell for cash or on sight draft. Usual terms for normal trade items are 180 days' draft and for capital goods medium- to long-term financing is necessary. Canadian exporters should take this into account when considering exports to Argentina. ●

TABLE I
CANADIAN EXPORTS TO ARGENTINA

| | Seven Months | |
|--|--------------------|-----------|
| | 1965 | 1966 |
| | (Canadian dollars) | |
| Purebred dairy cattle | 5,750 | 76,125 |
| Clover seed | 145,314 | 211,444 |
| Grass seed | | 23,469 |
| Hatching eggs | | 19,774 |
| Seed potatoes | | 121,800 |
| Asbestos milled fibres | 243,962 | 564,507 |
| Asbestos shorts | 151,559 | 124,469 |
| Wood pulp bleached sulphate paper grades | 694,140 | 1,224,765 |
| Wood pulp sulphite unbleached | 391,407 | 364,605 |
| Other wood pulp | 820,213 | 374,262 |
| Newsprint | 4,696,287 | 4,659,818 |
| Papermakers' felts | 113,491 | 203,125 |
| Lumber | 2,991 | 13,756 |
| Wallpaper | 3,577 | 3,803 |
| Fine papers | 339,408 | 14,684 |
| Selenium | 16,845 | 25,542 |
| Chemical elements n.e.s. | 72,975 | 215,463 |
| Aldehyde function compounds | 48,608 | 41,357 |
| Radioactive elements and isotopes | 76,120 | 18,321 |
| Organic acids, anhydrides and derivatives | 609,362 | 82,811 |
| Plastic and synthetic rubber, not shaped, n.e.s. | 2,658,575 | 40,073 |
| Sheet and strip steel | 3,584,993 | 3,162,905 |
| Aluminum ingot, etc. | 1,330,482 | 1,165,368 |
| Parts and accessories for motor vehicles | 137,048 | 825,708 |
| Passenger automobiles and chassis | 158,712 | 175,179 |
| Medical and pharmaceutical products | 72,495 | 81,517 |
| Nickel anodes, cathodes, ingots, rods | 265,551 | 313,954 |
| Card punch, sorting, tab. computers and parts | 364,282 | 169,796 |
| Aircraft engines and parts | 138,290 | 103,454 |
| Components for communication equipment | 116,101 | 54,415 |
| Textile industries machinery and parts | 59,518 | 50,469 |
| Construction maintenance machinery and parts | 33,815 | 57,242 |

Development projects financed externally offer best opportunities as

Bolivia Blueprints Its Future

ANTHONY Y. EYTON, *Assistant Commercial Secretary, Lima.*

BOLIVIA'S LOCATION as one of the two landlocked republics in South America may have caused many Canadian businessmen to overlook its commercial potential. La Paz is within easy reach of Buenos Aires and Lima (just ninety minutes away by daily jet), and businessmen visiting either of these cities should schedule a flight there to investigate sales possibilities at firsthand.

It is certainly true that Bolivia remains one of the less developed countries in South America. Yet at the same time it is importing more than \$120 million worth of products per year. Because it does not boast much domestic industry, it is forced to import the greater part of the consumer and capital goods it needs. You name the product and you can be fairly sure that there's a market for it in Bolivia. Price and credit terms will be the determining factors in helping the Bolivian importer decide whether or not to purchase from Canada. The result is that the opportunities for selling capital equipment and related engineering services are mainly connected with the loans described below, which are open to Canadian procurement.

The Economy in 1965

The GNP in 1965 fell slightly short of \$500 million, with each sector in the economy sharing in the over-all growth. As in most developing countries, international financing played a large part in determining the rate of growth of the various sectors. U.S. AID recently announced two loans totalling U.S.\$9.5 million for highway construction and for the installation of a rural electric co-operative in the

Santa Cruz region, the first of its type in Bolivia.

Development Projects Studied

The Inter-American Development Bank announced on September 6 that it had approved a U.S.\$2.1 million loan from its Fund for Special Operations (not open to Canadian procurement) to finance Bolivian pre-investment studies. These studies will be done for specific projects, both public and private, which are roughly sketched out in Bolivia's Ten Year (1962-71) Economic and Social Development Program under the *Alliance for Progress*.

As a matter of interest, Bolivia's Ten Year Development Plan calls for investment of approximately U.S.\$250 million during the 1967-69 period. Already pre-investment studies have proved conclusive for various projects which together account for U.S.\$34 million. In addition, more than one hundred potential projects have been given high priority for further study, including 40 in the industrial sector, 30 in agriculture, 20 in transportation and 19 in mining and metallurgy.

Another loan from the Inter-American Development Bank was announced on November 17. This was for an amount of U.S.\$11.8 million, made up of a loan of U.S.\$10.3 million from the IADB's Fund for Special Operations and a Canadian loan of U.S.\$1.5 million under Canada's Development Loan Program for Latin America. Both IADB loans are being administered by the Corporacion Boliviana de Fomento—an autonomous government corporation whose main task is to promote economic development.



Hard-hat firmly in place, this Bolivian miner seems to be peering ahead to catch a glimpse of his and his country's future. His industry is the mainstay of the country's export trade, accounting for some 90 per cent of Bolivia's overseas sales.

The World Bank is currently negotiating a U.S.\$3 million loan to aid in the development of the livestock industry and this is open to Canadian procurement. These loans, as well as others granted in previous months, have bolstered Bolivia's fledgling industrial economy. Many of them, and especially those made by U.S. AID and the Eximbank, are tied to a donor supply source, thus excluding Canadian participation. None the less, their total effect is to fatten the economy and enough hard currency is being generated to permit subsequent purchases of capital and consumer goods.

It should also be pointed out that the exchange rate for the Bolivian peso has remained stable since 1959. The IMF, acting in an advisory capacity, keeps a close check on all Bolivian Central Bank transactions. There is

some concern about continued exchange stability in the face of rising living costs in Bolivia.

Agricultural Problems

The Bolivian Government is devoting a great deal of attention to agriculture and has been successful in doubling rice production and tripling sugar production in the last five years. On the other hand, the Agrarian Reform Law of 1953 has encountered problems because the highland peasants cannot easily be persuaded to resettle in the richer lowlands of Bolivia. Some 92 per cent of the farm area is still held in huge estates by 6 per cent of the farm units. Progress in this sector is not easy even though possibilities are enormous. The eastern lowlands of Bolivia are extremely fertile and in time will be a source of substantial export crops.

Mining Remains Backbone

Mining accounts for 90 per cent of Bolivia's total exports by value and is the backbone of the economy. The giant state-owned tin-mining corporation, COMIBOL, has undergone a remarkable transformation in the last two years and in 1965 had a small loss of only U.S.\$38,086. This is remarkable when one remembers that in the previous seven years its accumulated losses totalled more than U.S.\$75 million! COMIBOL operations in 1966 are progressing smoothly and for the first time in many years will realize a profit. This improved performance has prompted the financiers of "Operation Triangle"—the United States, West Germany and the Inter-American Development Bank—to proceed with the third-stage loan of U.S.\$10 million to COMIBOL in a further effort to modernize its operations. This loan is made up of U.S.\$2.5 million from the IADB's Fund for Special Operations and this amount is not available for purchases in Canada; U.S.\$1.6 million from the United States, which is tied to U.S. suppliers, and U.S.\$1.5 million from West Germany, purchases from which are open to international bidding.

Still in the public sector, on July 20, 1966, the Military Junta signed an agreement with Klockner of West Germany for the construction of a U.S.\$9 million tin smelter which will have an eventual capacity of 20,000 tons.

Another recent development was the announcement on July 29, 1966, that the Mine Matilde Corporation (owned by Philipps Brothers and U.S. Steel) had reached an agreement with the Bolivian Government to lease and operate for twenty years a zinc mine situated about one hundred miles northwest of La Paz. Various feasibility studies are currently in progress, with production scheduled for 1969. The Matilde Mine is located on one of the largest zinc deposits in the world.

By far the most exciting news in this sector came from Bolivian Gulf Oil, a subsidiary of the giant U.S. oil company. For the first time, Bolivia has become an exporter of crude oil. Bolivian Gulf has spent U.S.\$98 million over the last ten years in oil exploration and development in Bolivia. The oil is being transported to Arica, Chile, through a 637-mile pipeline which crosses the Andes at an altitude of nearly 15,000 feet. Production will be stepped up from 20,000 to 25,000 barrels per day as soon as additional storage capacity can be constructed in Arica. All of the crude oil produced is being shipped by Gulf Oil tankers to a Gulf refinery near Los Angeles, California.

Manufacturing Encouraged

Turning from the extractive industries to manufacturing, we find that manufacturing production accounts for only 12 per cent of gross national product. In October 1965 a new Investment Law was published that is intended to create a favourable climate for private industrial investment in Bolivia. To date, results have been only modest. A nylon hosiery factory was established last year and plans are progressing for a tire plant (ZIMERI) near Cochabamba. Further investment in industry depends largely on the future performance of the constitutionally-elected Government, headed by General Rene Barrientos, which is now in power.

Transportation and Communications

In the transportation and communications sector, it was announced in September that Japan has offered a U.S.\$10 million loan to re-equip the Antofagasta railway. Operated by the Bolivian Government, this railway is proceeding to purchase badly needed

rolling stock from Japan in accordance with the conditions of the loan. It is one of the most important lifelines from Bolivia to the various Pacific coast ports.

Road development is being speeded up; currently the country has only 400 miles of paved highways and some 4,300 miles of secondary roads. A new highway was recently completed joining Cochabamba with Santa Cruz—two important provincial cities. Further development in roads will largely depend on the securing of loans from the international lending institutions.

Early this year the Bolivian Government will be making a decision on a potential U.S.\$35 million telecommunications project. The feasibility studies for this project were completed in 1964. A total investment of U.S.\$9 million will be needed to finance the first three years of construction.

Canadian Trade with Bolivia

In 1962, Canada exported U.S.\$363,000 worth of products to Bolivia and in 1965, U.S.\$1.7 million. For 1966, the figure is expected to exceed U.S.\$1.9 million. Although this improvement in export performance is encouraging, it is worth repeating that Bolivia imported U.S.\$120 million worth of products in 1965. In other words, Canada supplies slightly more than 1 per cent of the country's total imports.

To sell in Bolivia, a Canadian manufacturer must have an aggressive agent in La Paz. In fact, according to recently issued Supreme Decrees, foreign consulting engineering firms and manufacturers wishing to do business in Bolivia must do so through a representative based in La Paz. The Commercial Section of the Canadian Embassy in Lima can suggest the names of appropriate agents to handle your line of products. In addition, commercial officers from the Embassy visit La Paz once every two or three months. Should you wish a firsthand market study, send price lists in U.S. dollars c.i.f. Matarani, Peru, and descriptive catalogues to the Embassy.

Bolivia may seem remote, but its vast potential for development is now coming closer to realization. La Paz is only a short trip from Lima. Next time you are in Peru, allow an extra two days for a trip that will not disappoint you. ●

Brazil Makes Good Progress

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

THE YEAR 1966 has been marked by a continuation of the Government's efforts to stabilize the economy and these efforts have met with varying degrees of success. On the positive side, the following achievements should be noted:

- Recovery in industrial output, and consequently in industrial employment, after the 1965 recession.
- Another large favourable trade balance despite higher imports.
- An improvement in the Government's finances, with the budgetary deficit during the first half of the year reduced to some 5 per cent, compared with 56 per cent for the full year 1962, 54 per cent in 1963, 37 per cent in 1964, and 18 per cent in 1965.
- A further substantial accumulation of foreign exchange reserves, which by mid-October had reached over U.S.\$800 million.
- The maintenance of the exchange rate throughout the year.
- An apparent improvement in international confidence, particularly on the part of international lending agencies and governments but also on the part of potential private investors.

There have also been a number of developments on the debit side:

- A fairly serious drop in agricultural output affecting most crops, but particularly coffee.
- Continued price inflation which amounted to 37.4 per cent by the end of October and promises to match 1965's figure of 45 per cent by the end of the year.
- The development of a liquidity crisis which has had serious conse-

quences in some sectors of the economy and has resulted in record numbers of industrial and commercial bankruptcies.

Groundwork for Progress

On balance, it appears that the Government's program has been relatively successful and though results have sometimes fallen short of expectations, the groundwork has been laid for more solid development in 1967. There seems to be a reasonable prospect of progress in the fight against inflation, provided present policies are continued. This will, however, depend on the policies of the new President elected by Congress in October 1966 and due to take over in March 1967. Certainly, many of the adverse factors carried over from 1965 have now been brought under control and should not exert as much pressure as they did in 1966. These include excessive liquidity in the economy resulting from the large monetary issues in late 1965, pressures on prices resulting from the currency devaluation in November 1965, and the relatively large budgetary deficit carried over from 1965. It remains to be seen whether the new Administration will be able to resist the severe pressures against many of the present anti-inflationary measures and maintain a tight money policy without precipitating a recession similar to that of early 1965.

Exports Still Rising

Brazil's foreign trade during 1966 continued the favourable trend established in 1965, which resulted in a favourable balance for the year of \$654 million, with exports reaching a record U.S.\$1,595 million and imports reduced to U.S.\$945 million. To the end of August 1966 exports were valued at U.S.\$1,070 million compared with \$963 million for the same

period last year, but imports rose appreciably from U.S.\$701 million in 1965 to U.S.\$859 million. If this trend continues for the remaining months of 1966, the favourable trade balance for the year is likely to be close to U.S.\$400/500 million.

The higher level of exports during the year resulted largely from increased coffee sales, although exports of most products, including manufactured goods—particularly to LAFTA countries—rose during the first half. There are signs, however, that rising local costs together with a stable exchange rate are beginning to have an adverse effect on exports of manufactured and semi-manufactured goods and this is likely to be accentuated unless the currency is devalued. The large increase in imports is accounted for by the substantial rise in purchases of machinery, vehicles, wheat, tractors, metals, chemicals, fuels and oils and some other items.

Import Restrictions Eased

In view of the highly inflationary impact of the large favourable trade balance and steadily rising foreign exchange reserves, together with the desirability of introducing some element of competition into local industry, steps were taken in 1966 to simplify import procedures and thus encourage a higher rate of imports. The most significant of these steps was the progressive transference of a large number of items from the Special Category to the General Category of imports. (Special Category items are those of a class or kind produced locally or considered non-essential and importers must buy at auction licences to purchase foreign exchange for their imports of those products. The auction price of these licences in effect makes the cost of the foreign exchange two to three times the

official rate. Usually these heavy foreign exchange costs, plus the high Brazilian tariffs, make the import of Special Category goods prohibitively expensive.) The net result of the transfers has been to make a wide range of goods saleable that formerly could not be imported economically. Recently the Government announced that effective March 1, 1967, the Special Category will be abolished completely.

But although the Government is obviously prepared to introduce some degree of competition into local in-

dustry, it cannot be expected that this competition will be permitted to injure industry seriously and a departure from Brazil's basically high tariff policies seems unlikely. Administrative simplifications have been applied to import procedures and compulsory deposits previously imposed on imports have been abolished. Exchange control regulations have been relaxed to enable exporters to pay against sight drafts rather than paying 100 per cent of the cost of imports at the time of the order. All these measures, together with the general improve-

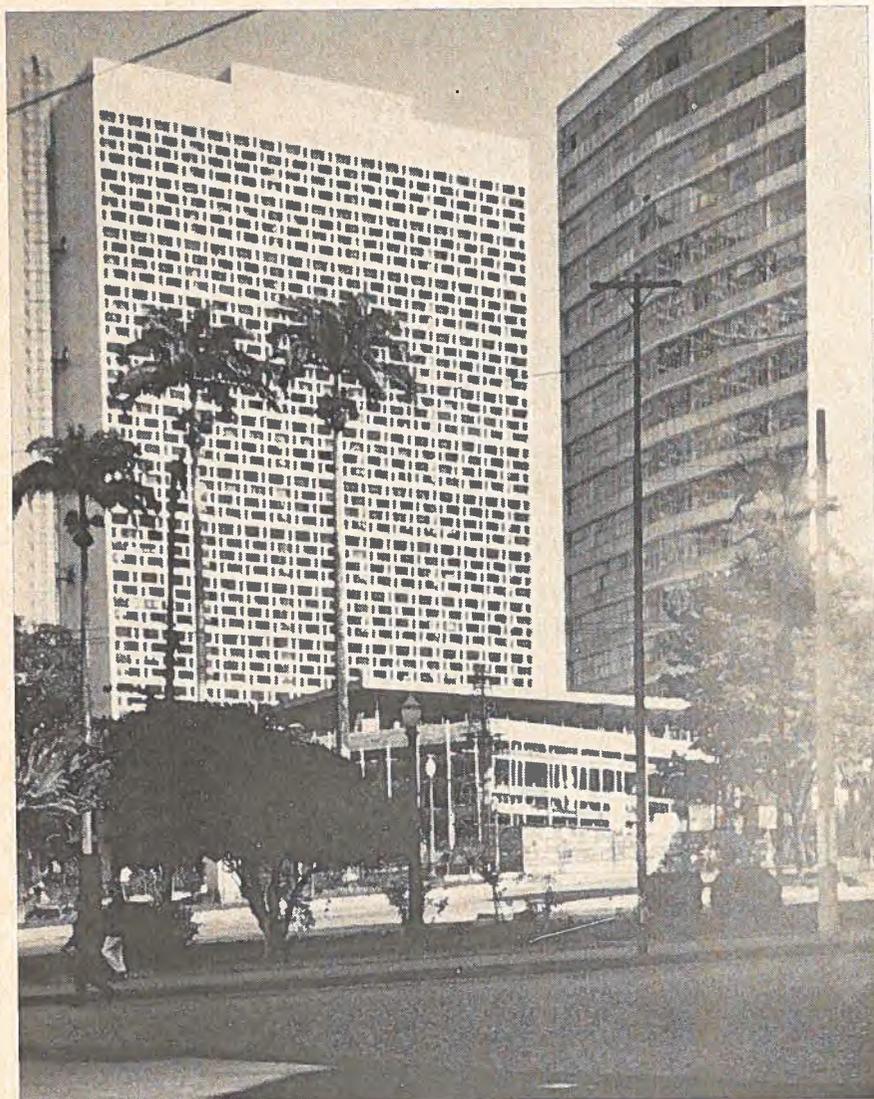
ment in industrial activity, have contributed to the buoyancy of Brazil's imports.

Canadian Exports Down

Canada's exports to Brazil in 1966 followed the 1965 trend and remained sluggish. During the first seven months of the year they dropped by a further 12 per cent—from \$11,966,869 in 1965 to \$10,484,495. The main item contributing to this drop was locomotives, which disappeared from the list as deliveries under the 1963 sale were completed. Exports of newsprint, combines and parts, and communications equipment also decreased. Most other products, including aluminum, tinplate, asbestos, wood pulp, malt and metallic salts remained at much the same levels as in 1965, but shipments of nickel, aircraft parts and zinc showed small increases. There may be some slight improvement during the second half of the year but indications are that exports for the full year will total somewhat less than the \$17 million of 1965.

Prospects for 1967 appear to be somewhat more promising. Brazil's vastly improved foreign exchange reserve position has resulted in some easing of the rigorous restrictions placed on imports and the trend is toward further relaxation. Furthermore, it is hoped that some sales of capital equipment may be possible, particularly in the fields of communications, power development, transport and aircraft. There are also good prospects for Canadian consulting engineering services and for selling industrial chemicals and fertilizers. If the supply position permits, sales of such metals as copper, zinc and nickel should also rise.

Direct Brazilian exports to Canada during the first five months of 1966 rose by some 10 per cent over the same period of 1965 and for the full year should reach approximately \$40 million compared with \$35.5 million in 1965. In addition to such traditional items as coffee, cocoa, nuts, oils, etc., Brazil is now beginning to enter the Canadian market with products of its expanding industries, such as electronic tubes, industrial machinery and various textile lines. This trend should continue, although rising local production costs will be an inhibiting factor.



This is a view of the downtown business section of Belo Horizonte, Brazil, capital of the state of Minas Gerais. It was Brazil's first planned city, and its spanking new buildings reflect the attention lavished on it. It is 200 miles from the Brazilian coast.

Although many uncertainties still remain, there are grounds for optimism about Brazil's economic condition in 1967 and after. On present indications, industrial expansion should continue, agricultural output (encouraged by government incentives) should recover, and the anti-

inflationary battle make progress. International confidence, already reviving rapidly, should lead to continued support from international lending agencies and private and corporate investors, with the result that badly needed capital and techni-

cal knowhow will be forthcoming to assist in the enormous task of developing the resources of this wealthy but largely untapped country. The implications of this for Canada are important and, with effort, Brazil could again become one of Canada's more important trading partners. ●

Output of forest products rising, industry is progressing, but

Chile Still Depends on Copper

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

THE YEAR 1966, the second of six for the Frei Government, has been a difficult one. The failure of the Government to come to a working agreement with the major parties in opposition will mean that crucial legislation to implement reforms (such as agrarian reform), will have to be fought for piece by piece, like the copper law which took well over a year to negotiate through Congress.

The battle against inflation has been conceded to be a second-round loss. After virtually achieving its goal of holding inflation to 25 per cent in 1965 (actual inflation was 25.9 per cent), the Government was unable to hold it to a 15 per cent increase in 1966. By the end of July, the accumulative figures had reached 15.2 per cent and the Government realized that it would have a difficult time limiting the rise to less than the 25.9 per cent of last year.

There has been considerable criticism from the business community which points to tight money, the failure in the drive to limit inflation, the Government's seeming preoccupation with social legislation, and the high level of taxation. As a result, plans are being formulated to assist the business sector by easing taxes, making private sector funds more readily available, and so on.

Despite an estimated balance-of-trade surplus of U.S.\$90 million compared with U.S.\$50 million in 1965, the outlook for Chile in 1967 is not too clear and will depend greatly on the reaction to pending legislation and on the firming of copper prices and at what level.

Copper Still Faces Problems

Copper, because of the prominent role it must play in the economy and in the plans of the Government, has so far in 1966 been a source of mixed joy and woe. The passing into law of the long-awaited and heavily attacked copper bill would, it was hoped, set a favourable tone for the year. This hope was vain. The 85-day strike at the Braden Copper Company mine, El Teniente, which ended on April 1, resulted in a loss of 41,800 tons in production and of U.S.\$28.7 million in foreign exchange. As a result, copper production for the industry as a whole fell more than 10 per cent in the first half of the year compared with the first half of 1965. Although the recovery in the second half of 1966 may be sufficient to raise output to the 582,576 tons produced in 1965 (when there were also strike losses in the latter half) it will not approach the more normal 620,788 tons produced in 1964. Strikes were narrowly

averted when new labour contracts were signed at the El Salvador, Potrerillos and Barquito mines at mid-year but this fact only points up the precarious day-to-day existence of the industry in general.

In the world copper market, Chile suffered another setback as it attempted to peg the price of copper in a solo effort to stabilize the market. The gamble was a double failure because Chile priced its copper below that of the London Metal exchange, losing the extra revenue the higher price would have brought. Then, when the lure of the higher price became too great, Chile raised the price only to find that within a few days the London Metal Exchange price fell below the new Chilean one. Smarting from this experience, Chile has indicated that for the time being at least it will follow the market price while renewing efforts at co-operation in an attempt to bring about some price order in the market.

One of the heartening events in copper was the signing of an agreement between the Government and the Braden Copper Company on the takeover of the El Teniente mine. The scheme will now go ahead and will see production rise from the present 100,000 tons a year to 280,000 tons by 1970. Anaconda announced that upon the signing of its agreement with the Government as detailed in the

**A circus team in practice?
No. This is a threshing scene
which is still all too common in
Chile. Canadian manufacturers
of agricultural machinery
might do well to remember a
picture like this and what it
could mean to export sales.**



copper law, work will begin on raising output from 600,000 to 900,000 tons over the same period. Barring a world slump in copper prices and further labour trouble at home, the remaining four years of the Frei Government could well realize the initial goal of bringing copper production up to 1.2 million tons or more a year, thus ensuring a balance-of-payments surplus.

Raising Agricultural Output

One of the most perplexing and serious problems to face the Frei administration is one which has plagued governments throughout the world—agriculture. Chilean agricultural production in recent years has stagnated and has not kept pace with the rise in population which in mid-1966 reached nine million. The Minister of Agriculture recently announced that imports of food for the year will likely total U.S.\$160 million and exports for the same period will fall to U.S.\$30 million. This is a serious deterioration when one notes that as recently as 1940 Chile's agricultural exports totalled U.S.\$50 million and imports totalled only U.S.\$45 million.

Much of this uncertainty has stemmed from the Agrarian Reform Bill (as mentioned in the *Foreign Trade*

article on Chile on January 22, 1966) which is currently awaiting congressional approval before becoming law. Fundamentally this law will endeavour to accelerate to the maximum the use of valuable farmland and the large-scale redistribution of land to the peasants. Although the Reform is still before Congress, the Corporación de la Reforma Agraria (CORA) had to the end of September expropriated 232 farms totalling approximately 1,450,000 acres as part of its program aimed at installing 100,000 small farmers on their own land within six years from the passing of the bill into law. However, CORA, without waiting for the bill to become law, has already established 5,000 new small farm proprietors on their own farms. The method of settlement will use a type of collective farming as a transitional step. The plan is to settle 10,000 new landholders by 1967, 12,000 in 1968, 15,000 in each of 1969 and 1970, and 18,000 in 1971 and in 1972.

Illustrating the deterioration in the agricultural situation is wheat production. Recent harvests totalled 1,275,000 metric tons in 1963; 1,319,000 in 1964; 1,276,000 in 1965; and 1,172,000 in 1966. The national requirement for wheat is approximately 1.5

million metric tons a year, with demand increasing 3 to 5 per cent annually. As even smaller acreages of wheat have been seeded the outlook for 1966-1967 is still depressing, with little hope for improvement as long as the controversies on land reform continue.

Progress in the livestock sector is slow despite the substantial imports of Herefords (among them 900 head of Canadian Herefords) as breeding stock for a beef cattle industry. The positive results of this program will not be seen for a few years at least and the country continues to be restricted to three days of beef per week.

One of the high spots is poultry farming, where activity has doubled in the past year. Two years ago more than 1.65 million pounds of chicken were imported compared with the current year, when less than 600,000 pounds have been brought in to satisfy local demand. Canadian chick breeders are participating in this growth, as are Canadian manufacturers of poultry-processing equipment.

Forestry Picture Brighter

Forestry provides a brighter note in the Chilean economy, as pulp and paper production continues to increase, with exports of finished lum-

ber also on the rise. Initial shipments of various types of lumber and finished doors were made to Puerto Rico and boxes, construction lumber and poles were shipped to Israel. As new sawmill equipment becomes operative and export standards are consistently met, it is expected that the forest products industry will continue to achieve satisfactory growth.

In the pulp and paper field, production and exports are rising. Currently this area is dominated by two companies but two major enterprises are on the drawing boards and it is expected that construction on one will begin early in 1967. Because Canada has an excellent reputation in Chile for pulp and paper and related machinery, it is hoped that Canadian manufacturers will share in this expansion.

The Banco Central de Chile reports that the value of total exports of wood pulp and newsprint increased from U.S.\$6,578,000 in 1964 to U.S.\$9,877,000 in 1965 and that exports are expected to reach U.S.\$21,198,000 in 1966. Wood pulp exports in 1969 are expected to total U.S.\$24 million, a more than 1,400 per cent increase over the 1964 exports of U.S.\$1,583,000.

One product the output of which has been rising satisfactorily is perforated computer data processing cards, currently being exported to members of LAFTA at the rate of U.S.\$3.5 million a year.

Manufacturing Makes Progress

With the exception of foodstuffs, Chile now produces almost its entire requirements of consumer products, with some outstanding achievements recorded in the period 1960-1965, such as domestic appliances, up 100 per cent. Output of basic products also rose: examples are cement, up from 855 to 1,188,000 metric tons in the period; rayon fibres up threefold; rubber tires and pig iron up twofold, and petroleum products almost doubled. The greatest change occurred in copper fabrication, which registered an impressive 600 per cent increase. The manufacturing sector accounted for roughly 28 per cent of the gross national product.

Should government plans materialize, the growth of industry in the second half of the decade should

greatly surpass that in the initial five years. Among the proposed projects are the building of four petrochemical complexes (producing ethylene, nitrate fertilizers, ammonia and acetonilide) an increase in the capacity of the steel industry, and the reshaping of the automobile assembly industry.

New industry will tend to give greater importance to the manufacture of products which will not only serve the home market but have an export potential. This emphasis on export suitability stems from the anticipated increase in trading activity because of LAFTA and also represents an effort to offset the fact that, of the total raw material required by the manufacturing industries, about 20 per cent is imported, as is approximately 85 per cent of the productive machinery. Currently, Chile imports 80 per cent of its manufactured goods and up to 1965 exported only 6 per cent of its industrial production. A

slow improvement has been noted as exports of manufactured goods have climbed to about 10 per cent in the past two years; chief among these are semi-fabricated copper, pulp and paper, and metallurgical products.

The Government has stated its intent to redefine the automobile industry in order to make it a source of supply as well as a market within the structure of LAFTA. The Government's bill—which at the time of writing was before Congress—would seek to establish a legal minimum of 30 per cent indigeneous parts in manufactured vehicles, rising to 55 per cent by 1970. Congress has, however, made preliminary changes and the initial percentage has been raised to 35. There have been pressures to raise the ultimate goal of Chileanization to between 75 and 80 per cent but thus far the argument that Chile's economy could not sustain a parts industry of this size has made its point. In

TABLE I
CANADA'S TRADE WITH CHILE

| | Total Exports | Total Imports | Balance in favour of Canada |
|------|--------------------|---------------|-----------------------------|
| | (Canadian dollars) | | |
| 1961 | 8,225,335 | 1,216,893 | 7,008,442 |
| 1962 | 13,277,984 | 1,116,578 | 12,161,406 |
| 1963 | 12,329,446 | 1,270,504 | 11,058,942 |
| 1964 | 12,943,725 | 1,755,290 | 11,188,435 |
| 1965 | 10,513,787 | 1,713,283 | 8,800,504 |

TABLE II
SELECTED EXPORTS FROM CANADA TO CHILE

| Commodity | 1962 | 1963 | 1964 | 1965 | 1966 Jan.-July |
|--|--------------------|-----------|-----------|-----------|----------------|
| | (Canadian dollars) | | | | |
| Asbestos milled fibres | 830,358 | 716,634 | 777,233 | 870,081 | 509,879 |
| Papermakers' felts | 208,007 | 238,284 | 195,185 | 472,276 | 283,965 |
| Plastic and synthetic rubber | 426,035 | 348,035 | 294,084 | 152,792 | 153,412 |
| Aluminum pigs, ingots, slabs | 912,030 | 543,171 | 660,318 | 1,364,787 | 691,578 |
| Nickel anodes, cathodes, ingots | 80,158 | 83,913 | 67,233 | 182,304 | 54,125 |
| Insulated wire and cable | 26,027 | 57,090 | 180,560 | 265,578 | 59,360 |
| Fire brick | 466,395 | 101,843 | 261,636 | 345,252 | 109,172 |
| Mining, oil, gas, industrial machinery | 263,660 | 432,040 | 341,139 | 307,533 | 59,406 |
| Pulp and paper machinery | 4,898,513 | 4,522,816 | 3,737,088 | 927,077 | 35,979 |
| Engines, aircraft | 49,678 | 80,559 | 148,860 | 326,269 | 249,735 |
| Switchgear, protective equipment | 14,736 | 6,911 | 114,836 | 187,016 | 15,626 |
| Biological products for humans | 5,200 | 15,821 | 62,860 | 60,017 | 54,940 |

1965 Chile exchanged U.S.\$800,000 worth of parts with Argentina and the estimates for 1966 place this figure at U.S.\$2.5 million.

General Motors of Canada supplies parts for the assembly of the Acadian in Arica, a qualified free port on the borders of Peru, and this trade is expected to total more than U.S.\$500,000 in 1966. The current Acadian model has a fair amount of Chilean content; the hood and trunk lids are manufactured locally of fiberglass and Chilean-made wiring and upholstery are installed.

Fish Meal Output Soaring

With a rugged coastline in excess of 2,500 miles, Chile's fishing industry is extremely varied. However, there is a wide fluctuation in the export of fish products and the reason for this lies with the anchoveta—the principal source of fish meal. This small but valuable fish, caught in roughly 500 miles of the cold Humboldt Current from Antofagasta to the Chile-Peru border, virtually disappeared in 1965 when less than one half of the previous year's record catch of 909,694 metric tons was taken. In a resurgence which began in December 1965, the anchoveta appeared in such fantastic numbers that the record catch for a single year of slightly more than 900,000 metric tons was exceeded in the first nine months of 1966, with more than one million tons harvested. Conservative estimates for the last quarter of 1966 place the year's total catch at 1.25 million metric tons, almost triple the 1965 landings and a more than 30 per cent increase over the record year of 1964. Scientific supporters of the cycle theory of anchoveta incidence claim that this is only the beginning and that the run has yet to peak, a fact which augurs well for 1967, despite a softening in prices, because world demand for fish meal continues to rise. Processing plant owners welcome this news as factories continue to operate well below capacity.

Exports of other seafood products are also going up substantially but are overshadowed by the boom in the fish meal industry. With only first half-year figures for 1966 available, a 50 per cent increase over 1965 is indicated; most of this growth comes from the shipment to foreign markets

of frozen shrimps, lobsters and other shellfish, as freezing plants come on stream. One new item which only began to be exported in 1965 is whalemeat. Destined mostly for Japan, 4,500 metric tons were shipped in the first five months of 1966.

Trade with Canada

The value of Canada's exports to Chile continues to be erratic, fluctuating between \$8 and \$13 million. The higher figure usually results from a major (and often non-recurring) sale in a particular year, such as pulp and paper machinery in the years 1962-64 or the delivery of five de Havilland Aircraft Twin Otters and parts in 1966, which will contribute approximately \$2 million to the year's total. In a sense, however, these examples can be considered continuing business because, once the initial sale of major equipment is made, Canada will in future be considered as a source of supply. For example, the possibility of two new pulp and paper projects may once again mean exports of this equipment in the order of \$3 to \$4 million in a given year, in addition to the normal base of asbestos, aluminum, papermakers' felts, and other items as noted in Table II.

Fundamentally, the ground rules for selling to Chile have not changed. Items deemed not essential to the economy are either prohibited import or are subject to various regulations,

such as a 10,000 per cent ad valorem prior deposit, with this refunded after a fairly long interval. The Banco Central de Chile continues to exercise strict control over imports and has defined seven general import categories which influence its decision to issue import licences. These, listed in order of priority, are as follows:

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

Do you have a product which you feel might be sold in Chile? Have you hesitated in the past to get your export feet wet? A simple inquiry addressed to Mr. R. E. Gravel, Commercial Counsellor, Casilla 771, Santiago, Chile, may open up a new market for you. Remember, address all correspondence airmail because surface mail takes six to eight weeks. ●

FAO Surveys Forest Resources

CHILE'S output of pulp and paper should reach between \$300 to \$400 million a year by the end of the century, according to a survey made by the Food and Agriculture Organization and submitted to the Government of Chile.

FAO sent a technical forestry mission to visit Chile earlier this year, following a special request from the President to review progress made in forestry and the forest industries in recent years. Its report says that, in addition to the rehabilitation of dwindling natural forests and protective afforestation plans, "industrial plantations are and will remain

for many years to come the most important groundwork" for Chile's forestry development.

Two new pulp and paper mills are proposed, to add eventually about 250,000 tons a year to the present production of nearly 400,000 tons. To accelerate development the integration of pulp mills with sawmills and other forest industries is proposed.

Further expansion beyond 1980 could bring income derived from wood to the level of countries like Finland and Sweden. This would be a definite contribution to the economy and would improve the Chilean standard of living. ●

Outlook brighter for Canadian exporters as

Colombia Liberalizes Imports



Cartagena's clock tower points its finger north and west beyond the Bay of Las Animas toward the Caribbean Sea. With the lessening of import restrictions, ports in Colombia such as this may well see an influx of Canadian ships and products.

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

THE YEAR 1965 was a poor one in Colombia by any measure, particularly when compared with the previous year of excellent business conditions. The situation began to improve, however, by the end of the year and by the third quarter of 1966 the country appeared to be well on the way toward economic recovery.

Trouble first became evident late in 1964, when reserves were no longer adequate to support the peso which depreciated by more than 80 per cent within a few months. The severe balance-of-payments crisis during most of 1965 forced the Government to impose a series of drastic import restrictions with the result that imports during 1965 were 22 per cent lower than in the previous year. Gold and foreign exchange reserves, which amounted at the end of 1964 to U.S. \$129.4 million, fell to U.S. \$108.6 million by July 31, 1965, then, as a result of the reduction in imports, rose to \$154.6 million by December 31, 1965. Growth in GNP, 5.3 per cent in 1964, fell to 3.9 per cent in 1965 and growth of real income slowed down from 6.7 to 3.8 per cent. The most difficult months of 1965 were also characterized by large amounts of "flight capital" leaving the country and severe reductions in foreign investment from private, international and bilateral sources.

During the early months of 1965, the Government met with increasing difficulty in passing legislation through a divided Congress. In May, after serious student riots, the Government declared a state of siege and has since ruled by decree law. Elections were held early in 1966 and the new administration took over at the beginning of August. Although the new President, Carlos Lleras, obtained a good majority his party did not quite achieve the necessary two-thirds majority in Congress, so rule by decree law continues. However, the Govern-

ment has declared its intention of returning to full constitutional procedures at an early date.

The general feeling that the political situation has improved substantially has led to a return of confidence in business circles.

Import Restrictions Eased

In early September 1965, the Government began a series of much needed administrative and monetary reforms. Dual import certificate rates were established: a preferential rate of 9 pesos to the U.S. dollar for essential items and an intermediate rate of 13.50 pesos for all other items not classified as prohibited imports. At the same time, some 48 customs tariff positions were placed on a newly created free list and these products could be imported at the 13.50 peso rate without previous import licence.

In November 1965, the Government stated in a letter of intent to the International Monetary Fund that it would introduce further exchange and fiscal reforms. It undertook to free at least 25 per cent (by value) of imports from quantitative restrictions and prior licensing requirements by January 1, 1966, and a further minimum of 25 per cent by April 1, 1966. Shortly after the letter of intent was signed, an agreement was reached with the IMF for a standby credit of U.S.\$36.5 million for 1966 and the United States offered a U.S.\$102 million AID package.

The Government kept its side of the bargain. Because items on the free list came in at the 13.50 peso rate, those which had previously been on the preferential list became 50 per cent more expensive to import. The remaining items on the preferential list were transferred to the free list in August 1966 (except certain vehicles for public use), thus completing the 50 per cent de facto devaluation for imports. By September 1966, some 65 to 70 per cent of imports had been liberalized and just 15 to 20 per cent still required a prior import licence. The import liberalization program was accompanied by a number of substantial increases in customs duties.

Foreign Aid Increasing

With the signing of the letter of intent, foreign aid once again began to flow into Colombia. The U.S.\$102

TABLE I
PRINCIPAL CANADIAN EXPORTS TO COLOMBIA

| | 1964 | 1965 | | 1964 | 1965 |
|---|---------------|---------------|---|--------------|------|
| | (Can.\$'000) | | | (Can.\$'000) | |
| Total all exports | 21,252 | 17,362 | | | |
| Of which: | | | Copper plates sheet and flat products | 59 | 18 |
| Organic acids, anhydrides and derivatives | 61 | 61 | Copper pipe and tubing | 206 | 94 |
| Oats | 296 | 406 | Copper wire and cable, excluding insulated | 68 | 50 |
| Wheat, except seed | — | 669 | Valves n.e.s. | 92 | 36 |
| Malt | 230 | — | Power boiler equipment and parts | 45 | 135 |
| Oat by products | 59 | — | Metalworking machinery equipment and parts n.e.s. | 59 | 59 |
| Asbestos milled fibres | 1,411 | 1,151 | Textile industries machinery and parts | 122 | 93 |
| Wood pulp, sulphate unbleached paper grades | 410 | 186 | Combine reaper threshers | 508 | 33 |
| Newsprint paper | 5,356 | 4,255 | Parts for combine reaper threshers | 83 | 19 |
| Fine paper | 179 | 18 | Marine engines and parts | 157 | 10 |
| Papermakers felts, textile | 231 | 186 | Aircraft complete with engines | 109 | — |
| Special construction fabrics | 1 | 229 | Aircraft engines and parts | 599 | 462 |
| Chemical elements n.e.s. | 93 | 31 | Telephone apparatus equipment and parts | 131 | 46 |
| Inorganic chemicals n.e.s. | 99 | 106 | Switchgear and protective equipment and parts | 60 | 157 |
| Alcohols and derivatives | 71 | 54 | Spark plugs and parts | 249 | 63 |
| Organic chemicals n.e.s. | 2 | 91 | Electricity measuring instruments and parts | 75 | 22 |
| Plastic and synthetic rubber not shaped | 2,638 | 2,838 | Card punch machinery computers | 260 | 131 |
| Ind. chemical specialties and explosives | 148 | 133 | Photo films and plates, unexposed | 151 | 17 |
| Ferrosilicon | 79 | 18 | Non-electric lighting fixtures and parts | 64 | 16 |
| Steel castings | 60 | 125 | | | |
| Sheet and strip steel | 2,900 | 2,613 | | | |
| Aluminum pigs ingots shot slabs | 1,304 | 990 | | | |
| Aluminum fabricated materials | 454 | 27 | | | |
| Copper bars rods and shapes | 524 | 414 | | | |

Source: DBS. Comprises items over \$50,000.

million AID package comprised \$65 million to finance imports, \$10 million for foodstuffs under PL480, \$15 million for Eximbank financing, and \$12 million for currency support.

The World Bank stated recently that up to June 30, 1966, it had loaned U.S.\$436 million to Colombia. Loans since November 1965 include \$25 million to the Colombian Central Bank destined for five financing corporations; \$16.7 million to the Government to assist in the first stage of its livestock development program, and \$23 million to TELECOM (state telecommunications).

Up to June 30, 1966, the Inter-American Development Bank had made 30 loans to Colombia totalling U.S.\$141.3 million. Since November 1965 four new loans have been made totalling U.S.\$22.1 million.

Individual countries offering capital assistance to Colombia since November 1965 include Spain, U.S.\$7 mil-

lion through IADB to finance imports, and the Netherlands, 18 million guilders (U.S.\$5.8 million) through IADB to finance imports and 5 million guilders (U.S.\$1.6 million) for the Private Investment Fund.

Trade with Canada

The severe restrictions during most of 1965 reduced Colombian imports from all sources by 22 per cent to U.S.\$453.5 million for the year compared with U.S.\$586.3 million in the previous year. Canadian exports fared somewhat better, falling 18 per cent—from \$21.3 million to \$17.4 million. The individual items most affected were newsprint (down \$1.1 million) aluminum ingot and semi-manufactures (down \$730,000), combines (down \$313,000), and tinplate (down \$288,000); malt, asbestos, wood pulp, fine papers, copper and copper products, marine engines, spark plugs, business machines and

TABLE II
PRINCIPAL CANADIAN EXPORTS TO COLOMBIA

| | 6 months | | | 6 months | |
|--|--------------|---------------|---|--------------|-------|
| | 1965 | 1966 | | 1965 | 1966 |
| | (Can.\$'000) | | | (Can.\$'000) | |
| Total all exports | 6,987 | 10,982 | | | |
| Of which: | | | | | |
| Oats | 179 | 252 | Aluminum pigs ingots shot slabs | 355 | 1,337 |
| Oat byproducts | — | 68 | Copper bars rods shapes | 154 | 196 |
| Asbestos milled fibres | 3 | 219 | Copper pipe and tubing | 67 | 72 |
| Wood pulp, sulphate unbleached paper grades | 112 | — | Zinc blocks pigs slabs | 14 | 74 |
| Wood pulp, mechanical unbleached | 33 | 106 | Valves n.e.s. | 31 | 5 |
| Newsprint paper | 1,659 | 2,072 | Power boiler equipment and parts | 67 | 133 |
| Papermakers felts, textile | 65 | 140 | Metalworking machinery equipment parts | 59 | 16 |
| Special construction fabrics | 70 | 136 | Textile industries machinery parts | 34 | 49 |
| Chemical elements n.e.s. | 8 | 43 | Combine reaper-threshers | 33 | — |
| Radioactive elements and isotopes | 10 | 57 | Parts for combine reaper threshers | 6 | 30 |
| Inorganic chemicals n.e.s. | 34 | 48 | Aircraft engines and parts | 266 | 412 |
| Alcohols and derivatives | 34 | 50 | Telephone apparatus equipment and parts | — | 27 |
| Organic acids and derivatives | 17 | 53 | Switchgear and protective equipment | 39 | 10 |
| Organic chemicals n.e.s. | 76 | 93 | Spark plugs and parts | 38 | 112 |
| Plastic and synthetic rubber not shaped | 1,093 | 1,232 | Electricity measuring instruments and parts | 22 | 30 |
| Industrial chemical specialties and explosives | 89 | 132 | Card punch machinery computers | 130 | 9 |
| Steel castings | 61 | 6 | Photo films and plates, unexposed | — | 55 |
| Sheet and strip steel | 976 | 2,987 | | | |

Source: DBS.

photo film were also hard hit. Import restrictions were most severe during the middle part of 1965 and during the July-November period many plants were forced to close down for lack of raw materials.

During this period Colombia first reduced import licence applications for Canadian newsprint by 30 per cent in favour of Finland with which Colombia has a barter agreement. Restriction of Canadian tonnage continued into early 1966 but was then relaxed and shipments of \$2.63 million during January-July 1966 were slightly above the \$2.61 million during the first half of 1965. In August, newsprint was freed from the prior import licence requirement.

As import liberalization has proceeded, Canadian exports to Colombia have recovered from \$9.13 million during January-July 1965 to \$13.79 million during the same period of 1966 (it is interesting to note that in January-July 1964 the figure was \$11.44 million). Table I shows principal Canadian exports to Colombia during 1964 and 1965 and Table II

compares the first six months of 1965 and 1966.

Balance-of-Payments Problems

The combination of import liberalization and pent-up demand caused a surge in imports during early 1966, far surpassing the U.S.\$43.0 million monthly target set by the authorities. Import authorizations during the first months of 1966 were valued at U.S.\$261.4 million compared with U.S.\$152.0 million during the same period of 1965. By the end of September 1966 the figures were \$468.5 million compared with \$266.8 million for the corresponding period of 1965. This has placed a strain on the country's balance of payments. Gold and foreign exchange reserves fell steadily during the first quarter of 1966 and although they rose substantially after the initial surge of imports, on September 30, 1966, they totalled U.S.\$122.2 million compared with U.S.\$154.6 million at the beginning of the year. Fortunately for Colombia, coffee exports have been buoyant and coffee export registrations during the

first nine months of 1966 were valued at U.S.\$256.9 million (U.S.\$255.8 million during January-September 1965) despite the slight weakening in coffee prices in recent months. During the same period, export registrations for other products increased from U.S.\$79.0 million to U.S.\$86.0 million.

Colombia's sales to Canada during 1965 totalled \$16.8 million compared with \$14.9 million in 1964. Coffee sales at \$13.4 million were somewhat lower; the main increases were in raw sugar, raw cotton, exotic lumbers, cottons, and cotton and rayon yarns.

Prospects for the Future

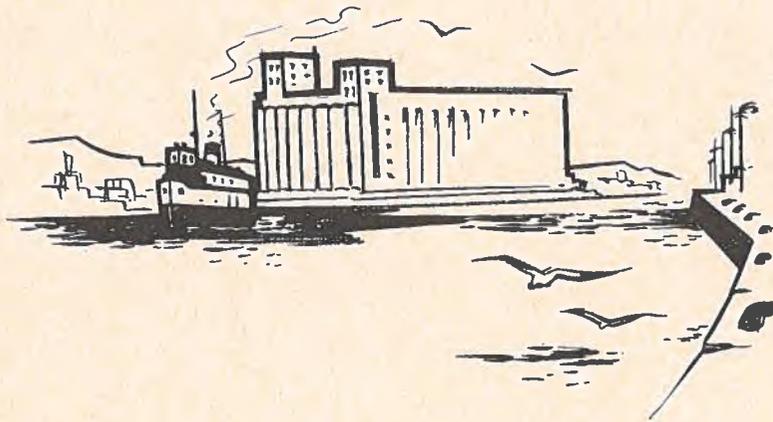
Canadian exports to Colombia during 1966 have recovered well from the previous year and can be expected to remain buoyant, provided no further import restrictions are imposed. Colombia has not, however, found any permanent solution to its balance-of-payments problem and the surge in imports following import liberalization has again put the peso under pressure. Moreover, there has been a decline in world prices for coffee, which normally accounts for up to 75 per cent of Colombia's export earnings.

Colombia is actively promoting exports of other products besides coffee and crude oil. It now appears likely that the 1966 target for crude oil of just over U.S.\$100.0 million may not be met. (Crude oil exports in 1965 were valued at U.S.\$88.2 million, U.S.\$13.2 million greater than in 1964.) Banana exports have increased from U.S.\$12.4 million to U.S.\$18.6 million, raw cotton and cotton yarns and textiles from U.S.\$10.7 million to U.S.\$13.8 million, and raw sugar from U.S.\$3.3 million to U.S.\$7.6 million. Financial assistance from many sources is entering Colombia in increasing amounts. It is the hope of the Government that imports will subside once pent-up demand is met (extremely tight money conditions should help) and that further import restrictions will not be required. If these conditions are fulfilled, 1966 and 1967 should be rewarding years for Canadian exporters. Companies wishing to explore the Colombian market are invited to consult the Commercial Secretary, Canadian Embassy, Apartado Aéreo 8582, Bogotá, Colombia. ●

Shipping Services from Canada to South America

| | From Pacific Coast | From Great Lakes | From St. Lawrence and Atlantic |
|----------------------|--|---|--|
| TO: ARGENTINA | <p>Grace Line <i>(C. Gardner Johnson Ltd., Vancouver)</i></p> <p>Westfal-Larsen Line, <i>(Empire Shipping Co. Ltd., Vancouver)</i></p> | <p>Moore-McCormack Lines <i>(Moore-McCormack Lines (Canada) Limited, Toronto)</i></p> | <p>Moore-McCormack Lines <i>(Moore-McCormack Lines (Canada) Limited, Montreal)</i></p> <p>Argentine Lines <i>(Shipping Limited, Montreal, Toronto)</i></p> <p>Brodin Line <i>(Montreal Shipping Co. Ltd., Montreal, Toronto)</i></p> <p>Columbus Line, <i>(Kerr Steamships Ltd., Montreal, Toronto)</i></p> <p>Uruguayan Line <i>(B & K Shipping Agency Ltd., Montreal, Toronto)</i></p> |
| BOLIVIA | <p>Grace Line <i>With transshipment at Arica, Chile, or Matarani, Peru</i></p> | | <p>Grancolombiana Line <i>(Furness Withy & Co. Ltd., Toronto, Halifax, Saint John; United Liners Agency Ltd., Montreal)</i> <i>With transshipment at Arica, Chile, or Matarani, Peru</i></p> <p>West Coast Line <i>(Saguenay Shipping Limited, Montreal, Halifax; A. O. Minshall Co. Ltd., Toronto, Hamilton)</i> <i>With transshipment at Arica, Chile, or Matarani, Peru</i></p> |
| BRAZIL | <p>Grace Line</p> <p>Westfal-Larsen Line</p> | | <p>Moore-McCormack Lines</p> <p>Argentine Lines</p> <p>Brodin Line</p> <p>Columbus Line</p> <p>Booth Line <i>(March Shipping Agency Ltd., Montreal, Toronto, Hamilton)</i></p> <p>Lamport & Holt Line <i>(March Shipping Agency Ltd., Montreal, Toronto, Hamilton)</i></p> <p>Lloyd Brasileiro Line <i>(Shipping Limited, Montreal, Toronto)</i></p> |
| CHILE | <p>Grace Line</p> <p>Westfal-Larsen Line</p> | | <p>West Coast Line</p> |

| | From Pacific Coast | From Great Lakes | From St. Lawrence and Atlantic |
|------------------|---|--|--|
| COLOMBIA | Grace Line Westfal-Larsen Line Grancolombiana Line (<i>Balfour Guthrie (Canada) Ltd., Vancouver</i>) | Great Lakes Transcaribbean Line (<i>Protos Shipping Ltd., Toronto</i>) | Great Lakes Transcaribbean Line (<i>Protos Shipping Ltd., Montreal</i>) Grancolombiana Line West Coast Line |
| ECUADOR | Grace Line Westfal-Larsen Line Grancolombiana Line | | Grancolombiana Line West Coast Line |
| PARAGUAY | <i>Via transshipment at Buenos Aires or Montevideo. See shipping services to Argentina and Uruguay</i> | | <i>Via transshipment at Buenos Aires or Montevideo. See shipping services to Argentina and Uruguay</i> |
| PERU | Grace Line Westfal-Larsen Line Grancolombiana Line | | Grancolombiana Line West Coast Line |
| URUGUAY | Grace Line Westfal-Larsen Line | | Moore-McCormack Lines Brodin Line Columbus Line Uruguayan Line Argentine Lines |
| VENEZUELA | Fern-Ville Lines (<i>Dingwall Cotts and Co. Ltd., Vancouver</i>) Grace Line "K" Line, (<i>Johnson Walton Steamship Ltd., Vancouver</i>) | Great Lakes Transcaribbean Line Saguenay Shipping Limited (<i>A.O. Minshall Co. Ltd., Toronto, Hamilton</i>) | Great Lakes Transcaribbean Line Saguenay Shipping Limited (<i>Saguenay Shipping Limited Montreal, Halifax</i>) Royal Netherlands Steamship Co. (<i>Montreal Shipping Co. Ltd., Montreal, Toronto</i>) Venezuelan Line (<i>Montreal Shipping Co. Ltd., Montreal, Toronto</i>) |



Still good market for Canadian exports, although

Ecuador Goes Forward More Slowly

The Grace Line's "Santa Isabel" anchored off the island of Puna near the mouth of the Guayas River in Ecuador, takes aboard bananas and balsa wood, two of the country's major exports. Both passenger-cargo ships and freighters serve Ecuador's ports. The country is the world's largest exporter of bananas.



J. G. IRELAND,
Commercial Secretary, Bogotá.

ECUADOR'S economic growth has slowed down considerably, following the relatively buoyant conditions of 1963 and 1964.

During 1964 the country achieved a balance-of-payments surplus for the third year running. However, gold and foreign exchange reserves, which reached an all-time high of some U.S.\$52.0 million in 1964, had fallen to U.S. \$33.7 million by the end of 1965 and to U.S.\$26.7 million by July 31, 1966. By the end of August,

reserves had risen slightly to U.S. \$32.0 million.

Preliminary estimates indicate that the annual rise in GNP fell from 6.6 per cent in 1964 to no more than 5.0 per cent in 1965 which, if considered with population growth, would represent an actual increase of something less than 2 per cent.

Reliance on Banana Exports

Much of the blame for the worsening situation can be placed on the banana trade, which accounts for about 65 per cent of Ecuador's foreign exchange earnings. Ecuador is the largest exporter of bananas in the

world. Banana exports during 1965 were some U.S. \$20.0 million less than in the previous year, despite the fact that the value of total exports did not vary greatly (U.S.\$134.0 million in 1965; U.S.\$148.0 million in 1964). Export earnings for 1965 were assisted substantially by increased shipments of coffee and cocoa.

Total exports during the first six months of 1966 were valued at U.S.\$63.0 million, compared with U.S.\$56.4 million during the corresponding period of the previous year. The value of banana exports did not vary greatly because of a weakening

TABLE I
PRINCIPAL CANADIAN EXPORTS
TO ECUADOR

| | 1964 | 1965 |
|--|--------------|--------------|
| | (Can.\$'000) | |
| Total | 5,719 | 4,689 |
| Of which: | | |
| Wheat, except seed | 3,431 | 2,361 |
| Oat byproducts | 53 | 59 |
| Asbestos milled fibres | 113 | 103 |
| Newsprint paper | 360 | 371 |
| Groundwood printing paper | 8 | 26 |
| Sanitary paper | — | 17 |
| Tallow, inedible | 252 | 768 |
| Inorganic chemicals | 4 | 24 |
| Pipes and tubes, iron and steel | 87 | 119 |
| Aluminum fabricated materials | 41 | 50 |
| Copper wire and cable, except insulated | 12 | 55 |
| Insulated wire and cable | 21 | 19 |
| Fire bricks and similar shapes | 12 | 39 |
| Asbestos brake linings and facings | 29 | 36 |
| Rock drilling and related machinery | 9 | 15 |
| Card punch machines, computers and parts | 57 | 66 |
| Toilet paper, packaged | 85 | 63 |
| Contractors' equipment and tools | 82 | 51 |

Source: DBS

of prices, although the volume exported during January-June 1966 reached 651,000 metric tons compared with 567,000 during the same period of 1965.

Ecuador also faces problems in its coffee and cocoa trade. Coffee has replaced cocoa as Ecuador's second export. During 1965, the country exceeded its export quota with the International Coffee Agreement by more than 30 per cent; a supplementary quota of 300,000 bags was requested but it has just recently been refused. (The Ecuadorian quota is 571,000 bags but the exportable surplus is estimated to be 700,000 bags.) Cocoa growers are expecting a poor year.

Imports Are Restricted

The weakening in the country's balance-of-payments position can also be attributed to increasing imports. Imports during 1965 were valued at U.S.\$170.8 million compared with U.S.\$147.9 million in 1964, and import permits granted to the end of June 1966 were valued at U.S.\$81.1

million, compared with U.S.\$78.3 million during January-June 1965. The Military Junta tried to reduce imports but ran into strong opposition from the powerful business community, particularly in Guayaquil.

After the overthrow of the Junta in March 1966, the country was governed by a provisional President. In October, a Constituent Assembly was elected which is to approve and promulgate a new constitution and decide upon the method of electing a new President. The political disruption has resulted in some uncertainty in the business community. Measures have been taken to restrict imports and it is possible that further restrictions will be needed.

Trade with Canada

Canada's exports to Ecuador fell from \$5.72 million in 1964 to \$4.69 million in 1965, mainly as a result of smaller sales of wheat. Canadian sales to Ecuador consist of a good many items, although wheat usually accounts for at least 50 per cent of the total, as the table shows. Exports for January-June 1966, at \$1.94 million, were about the same as during the first half of the previous year, despite a decline of some \$500,000 in wheat sales. Canada's purchases from Ecuador,

mostly bananas, totalled \$9.35 million in 1964 and \$8.55 million in 1965.

Prospects for the future

With political uncertainties and lack of knowledge about the economic policies of the new regime, trade predictions for the coming year are extremely hazardous. Increased export earnings from bananas will be required to improve the balance of payments, because prospects for coffee and cocoa are not promising. Part of the upsurge in imports during late 1965 and 1966 was due to stockpiling in anticipation of further import restrictions; it seems quite probable that imports during late 1966 and 1967 will be reduced. On the other hand, monetary assistance of one kind or another is now entering Ecuador in increasing amounts, which will help with the balance of payments.

Despite current import restrictions and the threat of higher import barriers, Ecuador continues to be—at least by Latin American standards—a relatively open, but competitive market. Canadian exporters interested in exploring it are invited to get in touch with the Commercial Secretary, Canadian Embassy, Apartado Aéreo 8582, Bogotá, Colombia. ●



Honduras Plans New Forest Industries

A SURVEY of forested areas in Honduras conducted by a team from Honduras and the Food and Agriculture Organization has revealed sufficient resources to support new forest industries, including a pulp and paper mill and in the northeast, expanded lumber production. The study included an intensive inventory of 4,500 square kilometres of pine forest and a general survey of a further 17,000 square kilometres of forested area. The results of the survey have been incorporated on a forest map of Honduras.

A recent report of the World Bank recommends construction of a pulp and paper mill near the coast and better road and port facilities.

Various interested pulp and paper companies have investigated the estab-

lishment of integrated forest industries, including a pulp and paper mill, a sawmill and a veneer plant. According to these studies, the cost of the pulp and paper mill and supporting infrastructure is an estimated \$84 million. The Central American Bank for Economic Integration and the Inter-American Development Bank have made available loans of some \$800,000 to finance these and other feasibility studies.

The Central Bank of Honduras will conduct a study of the possibility of setting up a steel plant using charcoal for fuel and the hematite deposits at Agalteca.

The four-year pre-investment survey under the UN Development Program cost some \$900,000, half of which was paid for by the Honduran Government. ●

With increased exports and stable internal prices

Paraguay Builds Business Confidence

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

IN THE last few years, the Paraguayan economy has emerged from a state of stagnation. Although business activity slowed up somewhat during 1966, the general rate of growth continued at a faster pace than in the 1950's when the GNP was rising about 3 per cent a year. The main factors contributing to recovery are greater monetary stability, the beginning of programs to improve the infrastructure, the increased business confidence which has encouraged both domestic and foreign private investment, and an increase in exports at a time when prices on international markets were fairly strong. Internal prices have remained stable and the cost of living has risen fairly slowly.

Government expenditures in the first half of 1966 were 11.5 per cent greater than a year ago and tax receipts increased by 5.4 per cent. As in many Latin American countries, the Government has undertaken an expansionary monetary policy to stimulate economic development but is trying at the same time to curb inflation. By mid-1966 convertible foreign exchange holdings at U.S.\$5.7 million were 9 per cent less than a year before. Net international reserves, at U.S.\$10.9 million, had increased 11.4 per cent from mid-1965. Because the increase in productivity and output is somewhat less than in 1965, government expenditures will have to be critically examined if stability is to be maintained.

Agriculture's Marketing Problems

Agriculture in 1966 was affected to some extent by poor weather. A shortage of cattle and strong demand in the home market resulted in a reduction in the quantity of beef available for export. The cotton harvest was expected to be less than 30,000 tons, well below the 42,000 tons har-

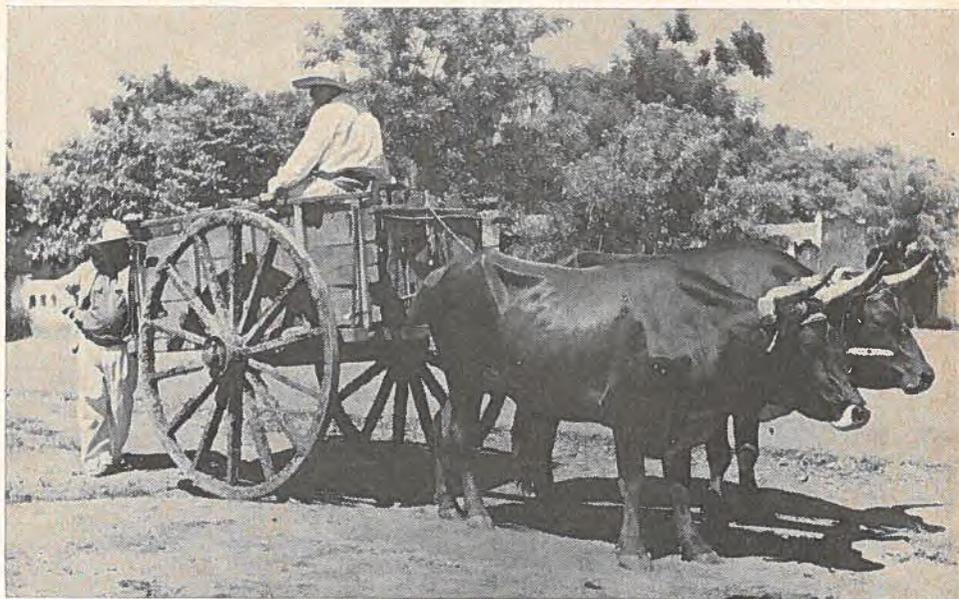
vested in 1965. Although tobacco prices remained firm, production was lower than in the previous year and was estimated at about 8,000 tons. The tung harvest was considerably above the last year's, but the low international price and a sizable surplus depressed returns to producers.

The 1966 sugar cane harvest was estimated at over 50,000 tons and this, coupled with a large carryover, caused problems. Because it is landlocked and has high production costs, Paraguay finds it very difficult to enter the international sugar market. The Government on July 7, 1966, approved a resolution regulating the 1966/67 sugar crop, setting up a fund for the promotion of sugar exports and calling for production of 38,500 tons of sugar, 12,500 tons of which would be for export.

Last April, a Title IV PL480 agreement was signed with the United States for shipment of 40,000 tons of wheat to Paraguay during 1966. With supplies from Argentina, this will satisfy Paraguayan wheat requirements. The corn crop was estimated at 210,000 tons.

Industrial Expansion Slower

During the first half of 1966 business activity increased at a somewhat slower rate than in the previous year. The strong local demand for beef created problems for Paraguay's meat-processing plants specializing in export markets. Export frigorificos found it difficult to offer prices to the producer competitive with those offered by processors supplying the domestic market and had to import cattle from Argentina for slaughter. The 1966 figures are expected to show a drop in the value of beef exports.



Ox-teams like this one are used to a great extent on the farms and ranches of Paraguay. The agricultural sector of the economy is most important as it accounts for almost all the country's exports. Poor weather and a shortage of cattle have recently raised problems but long-term prospects are brighter.

The completion of the Paraguay oil refinery, scheduled to open in 1965, was delayed but it is expected to begin production shortly and the first shipment of crude oil under contract with French suppliers has already reached the refinery. Last July, the Government granted Placit Oil of the United States a concession to prospect for oil in 800,000 hectares in the Chaco.

Electricity consumption increased over the first half of 1965 by 12 per cent to 133 million kwh. The lumber industry recovered after the very wet weather during the early months of 1966 and, by the end of the year, exports of sawn lumber may have reached the 1965 level. Log exports exceeded the 1965 performance. As a result of government measures providing greater protection against imports of textiles, the textile industry may rise out of the doldrums. It is reported that two local mills are going back into production after being closed because of poor market conditions. Early in 1966, the Paraguayan Chamber of Commerce began preliminary studies on organizing a stock exchange in Asunción.

Aid for Development

The Canadian Government recently provided Paraguay with a 50-year loan of Can.\$800,000 to finance studies for the improvement of a 230 km. section of the Concepción—Pedro Juan Caballero road and part of the Trans-Chaco highway between Asunción and Fortín Arhiuela, including

the construction of a bridge over the Paraguay River.

Two United States AID projects have been under discussion, one for the construction of a new runway at the Asunción airport and the other for the improvement of the road from Asunción to Pte. Stroessner on the Brazilian border. The IADB has approved a 16-year credit of U.S. \$700,000 at an interest rate of 3½ per cent for pre-investment studies under the National Development Plan. Of this, U.S.\$550,000 is to come from the Fund for Special Operations of the IADB and Canadians will not therefore be able to tender; U.S. \$150,000 will come from the Ordinary Capital Resources of the IADB and this may be used for purchases in any country which is a member of the IMF and Switzerland. Furthermore, money from the Fund for Special Operations must be completely exhausted before the amount from the Ordinary Capital Resources may be used. The IADB loan will be supplemented by the equivalent of U.S. \$300,000 from Paraguayan sources. The Consejo Nacional de Coordinación Económica has authorized the National Development Bank of Paraguay to accept a credit of 10 million French francs from Crédit Lyonnais to finance imports of crude petroleum. The Union de Banques Suisses has offered the Banco Nacional de Fomento a loan of U.S.\$1 million for financing short-term exports.

The Banco Exterior de España has lent Paraguayan port authorities U.S.

\$89,000 to build a wharf at Villeta where Spain has port and free-zone facilities. This loan is for 7½ years at 7½ per cent interest.

Review of Foreign Trade

Paraguayan exports during the first six months of 1966 totalled U.S.\$23.2 million compared with the U.S.\$26.3 million of the previous year. The decline, primarily the result of a reduction in meat and cotton fibre exports, would have been more serious had not logs, coffee and tobacco exports exceeded those of 1965. As there appears to be little likelihood of meat and cotton shipments in 1966 reaching the 1965 level, total exports will probably be down by 10 to 15 per cent. This will hurt Paraguay whose balance of payments last year on current account showed a deficit of U.S. \$2.4 million, compared with U.S.\$8.4 million in 1964. Agricultural products account for almost all Paraguayan exports and the major markets are Argentina, the United States and, to a much lesser extent, Uruguay.

Special emphasis has been placed on improving productivity in agriculture and many livestock and crop improvement programs are now under way. This will mean more goods for export in coming years as Paraguay's domestic market consists of only 1.9 million people, even though it grows at an estimated 2.6 per cent a year. The extent to which Paraguay can find markets abroad depends upon better transportation facilities, both within the country itself and to the seaports.

Paraguayan imports during 1965 rose considerably from the previous year to reach an all-time record. The pace continued in 1966 with a 17 per cent rise to U.S.\$23.5 million during the first six months over the same period of 1965. As in the past, machinery and equipment and transportation requirements were the leading import categories but most classes of goods except foodstuffs shared in the increase. Imports of iron and steel in all forms almost doubled because of the demand generated by a growing industry.

The United States continued to be the major supplier to Paraguay and provided a sizable volume of wheat under the PL480 program. West Germany was the second largest supplier,

TABLE I
WHAT PARAGUAY IMPORTS

| | 1962 | 1963 | 1964 | 1965 | First 6 months | |
|---------------------------------|----------------------|------|------|------|----------------|------|
| | | | | | 1965 | 1966 |
| | (millions of U.S.\$) | | | | | |
| Wheat and flour | 5.3 | 4.9 | 4.8 | 4.5 | 2.4 | 1.4 |
| Other foods, beverages, tobacco | 2.2 | 2.8 | 2.0 | 1.8 | 0.8 | 0.7 |
| Fuels and lubricants | 3.5 | 4.0 | 4.1 | 4.9 | 2.2 | 2.3 |
| Paper and cardboard | 0.8 | 1.0 | 1.1 | 1.4 | 0.8 | 0.7 |
| Chemicals and drugs | 1.6 | 1.7 | 1.9 | 2.1 | 1.1 | 1.2 |
| Transportation and accessories | 5.1 | 3.8 | 4.6 | 6.4 | 2.9 | 3.7 |
| Textiles | 3.1 | 2.3 | 2.7 | 3.3 | 1.6 | 1.7 |
| Agricultural equipment | 0.3 | 0.3 | 0.5 | 0.9 | 0.3 | 0.2 |
| Iron and steel | 1.6 | 1.5 | 2.0 | 3.1 | 1.2 | 2.1 |
| Other metals | 1.0 | 1.7 | 1.6 | 1.7 | 0.8 | 1.1 |
| Machinery and motors | 5.5 | 4.1 | 4.9 | 9.6 | 4.0 | 5.5 |
| Others | 4.2 | 4.4 | 3.4 | 4.3 | 1.9 | 2.9 |
| | 34.2 | 32.5 | 33.6 | 44.0 | 20.0 | 23.5 |

Source: Central Bank of Paraguay monthly bulletin of statistics.

accounting for almost 20 per cent of all imports. Neighbouring Argentina came third with 18 per cent of the market. Last year, Canada exported goods worth Can.\$176,699 to Paraguay.

Trade with Canada

Trade between Canada and Paraguay in 1965 did not reach the level of 1963 and 1964 as Table II shows. Newsprint, truck and bus tires, sheet and strip steel, and automobile chassis have been the major Canadian exports in recent years.

TABLE II
CANADIAN TRADE WITH
PARAGUAY

| | Exports to Paraguay | Imports from Paraguay (Can. dollars) |
|------|------------------------|--|
| 1960 | 120,257 | 759,782 |
| 1961 | 68,670 | 874,437 |
| 1962 | 40,695 | 377,618 |
| 1963 | 210,503 | 830,538 |
| 1964 | 485,135 ⁽¹⁾ | 546,502 |
| 1965 | 176,699 | 405,582 |
| 1966 | 90,856 ⁽²⁾ | 170,000 ^{(2) (3)} |

⁽¹⁾ Includes \$433,392 sheet and strip steel.

⁽²⁾ January to July.

⁽³⁾ Estimated.

The Paraguayan import trade is characterized by the large number of items in small volumes, but demand is growing as the country continues on the road to industrialization. At present the main opportunities lie in providing consulting engineering services and in developing the country's infrastructure. Major programs are under way in roadbuilding, port improvement and the improvement of communications. The many feasibility studies being considered by the National Development Council will mean greater business opportunities in the future. In most instances such programs require long-term financing and many foreign sources, both private and public, are helping to provide it. Canadian firms interested in the Paraguayan market are invited to contact the Commercial Counsellor, Canadian Embassy, Suipacha 1111, Casilla de Correo 3898, Buenos Aires, Argentina.



Canadian exports rising fast, development proceeds as

Peru Plans for Progress

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

THE GOLDEN WEALTH of the Incas still exists but nowadays it takes the form of hard cash. In 1965, over \$700 million of this was spent on foreign imports and for 1966 the figure may top \$750 million. Peru is an exciting country with a colourful history and a promising future. Canadian companies wishing to share in the Peruvian boom would do well to get into this market now.

The Peruvian economy has been buoyant over the past year. The inflation of 1965 has been slowed to a walk. A slackening off in expansion of the fish meal industry and depressed prices for sugar and cotton have been compensated for by increased activity in other industrial sectors, as outlined below. Perhaps the most important single factor in the current boom is the large inflow of investment funds. U.S. AID, Eximbank, the Inter-American Development Bank, the World Bank and many large private banking consortia are pushing money into this country. Canadian consulting engineers will be interested to learn that the Canadian External Aid Office and the Inter-American Development Bank have recently signed an agreement under which U.S. \$500,000 will be made available to finance pre-investment studies in Peru. This pre-investment fund is administered by a quasi-government entity known as the Fondo de Financiamiento de Elaboración de Proyectos de Inversión (FINEPI), and consulting engineers should call on its officials when in Lima.

Agriculture Is Depressed

The agricultural sector remains depressed at the time of writing. Unfavourable weather has cut back

expected tonnages of food crops in southern Peru by as much as 40 per cent. Even though the potato was first developed by the Incas and introduced to Europeans by the Spanish Conquistadores, it had to be imported in large quantities in mid-1966 to compensate for low national production. The picture for important exportable agricultural commodities is not much better. Cotton and sugar in particular have shown poor results recently because of depressed world markets.

International lending organizations have contributed large amounts of money for agricultural development. The IADB, for example, has lent the Peruvian Government \$35 million for colonization of the Huallaga Valley and for financing a community development program for Sierra villages. A U.S. AID grant of \$2.1 million will be used to finance a variety of projects under the Peruvian self-help program, which is designed to raise standards of living in the high Andean villages.

The Peruvian Government is pushing ahead with various irrigation projects. The Tinajones project, financed by a \$4.4 million West German loan, has just got under way. Three other irrigation projects have been assigned top priority—the Majes-Lagunillas, Olmos and Chao, and the Viru-Moche. International financing is being sought for these three and U.S.\$111 million will be solicited from external sources.

Minerals and Petroleum

The dollar value of mineral exports in 1966 will be close to \$300 million, 12 per cent above the figure for 1965. The high prices received for copper

have compensated for the somewhat lower prices for lead and zinc. All of the major mining companies have embarked upon expensive expansion programs to increase capacity. Because these companies are large, many of the needed engineering studies are completed by their own engineering staffs. None the less, special engineering studies and calls to tender on the construction of special projects are often issued through their U.S. head offices.

Perhaps the biggest news in the mining sector is the proposed development by Anaconda of the Cerro Verde copper deposits near Arequipa. The forecast is that 30,000 to 40,000 tons of copper will be produced annually by 1971 in a new leaching plant. In addition, the official go-ahead has been given to establish a combined zinc, phosphates and sulphuric acid plant in the Lima area. This new company, Metal Peru S.A., is 49 per cent owned by the state. Pre-investment feasibility studies were positive; further detailed studies and foreign financing are required for all subsequent stages.

On the petroleum front, the test-drilling contracts were let recently in New York City for the Aquaytia gas project. Pending the outcome of these tests, which should last for 1½ years, a pipeline may be constructed from the Aquaytia area in the Peruvian jungle to Lima. The six-company group developing this project is headed

Peruvian fishermen are shown washing down part of their day's catch of anchovy. These fish will be used to swell the flow of Peru's fishmeal exports. Cold salt water from the Humboldt Current is the only refrigeration needed on fishing boats like this one.

by Mobil Oil and Cerro de Pasco Corporation, but also includes a Canadian Company—Peruvian Oils and Minerals Ltd.

Manufacturing Is Dynamic

Manufacturing is the most dynamic sector of the Peruvian economy, and manufacturing and assembly plants are mushrooming in the Lima suburbs. Ten automotive manufacturers now have assembly plants in Peru; the latest to be inaugurated were the Volvo del Peru S.A. and Rambler/Renault del Peru S.A.

Two private cigarette manufacturers began operations in mid-1966, both under licensing agreements with U.S. cigarette companies. The Pfizer Chemical Company is building a U.S. \$1.1 million plant in Lima; Philips has spent \$2 million on a TV assembly and light-bulb manufacturing subsidiary, and Kodak, Johnson & Johnson, and many other foreign companies are establishing themselves in the Lima area. Component parts for all these plants are imported through parent companies.

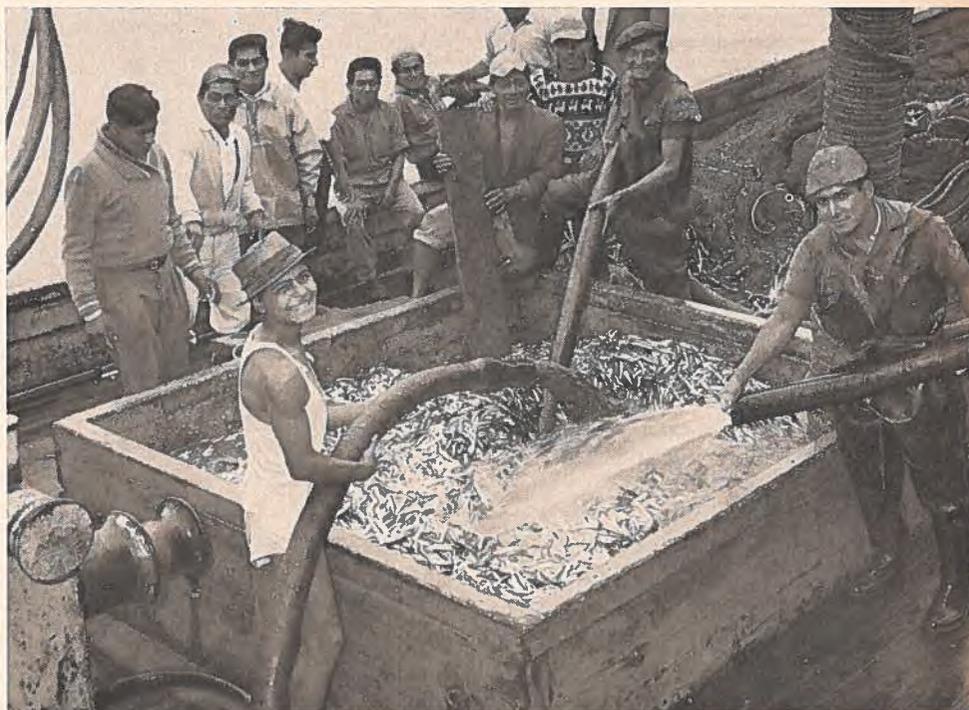
Under the incentives of the Industrial Promotion Law and bearing in mind the high tariff barrier, these companies have found setting up

plants to be a profitable means of exploiting the Peruvian market. It seems certain that many more branch assembly plants will be established here in the years ahead.

Transportation and Communications

President Belaunde is pressing through with his road program for Peru. The marginal highway on the jungle side of the Andes mountains is making giant strides and there are several Andes penetration roads being built or drastically improved at the present time. The participation of Canadian companies in this sphere is largely determined by the conditions of the IADB, World Bank and private loans being extended to finance Peruvian road development.

A great deal of development is planned in the air transport sector. The present Government expects to invest some U.S.\$7 million in construction and improvement over the next three years of secondary airfields in eastern Peru and the major airfields at Pucallpa, Tarapoto, Iquitos, and Puerto Maldonado will be modernized. Additional expenditures will be made on navigation aids and communication systems.



The Peruvian Government has approved U.S.\$60 million worth of loan contracts between the government-owned Corporación Peruana de Vapores and various Finnish and Spanish shipyards covering the supply of 12 cargo ships. All major port facilities are being or will be improved in the near future.

The Government has presented for legislation a proposal for the establishment of a state-run telecommunications company to be called Empresa Nacional de Telecomunicaciones (ENTEL). ENTEL will provide nation-wide communications policies and planning and will attempt to extend telephone coverage throughout the isolated hinterland. It will be empowered to acquire private telephone companies if this is deemed in the public interest.

These planned improvements in transportation and communications will facilitate expansion in other sectors. Even in Inca times, problems of transportation and communications were uppermost in the minds of the rulers, this pre-occupation continues to the present day, and with good reason.

Canadian Sales to Peru

Canadian exports to Peru have expanded considerably in recent years in response to domestic industrial and resource development that in many fields parallels previous or current development in Canada. Table I lists the top 20 Canadian commodity exports, according to DBS classifications, for the years 1964 and 1965.

Table I shows that Canada's exports to Peru doubled in the year 1965. The largest single category—passenger automobiles and chassis—is the direct result of the new assembly plants which began operations that year. These factories are importing many of their CKD kits and parts direct from Canada. A closer look at the DBS trade statistics shows that in 1964 there were 16 categories of commodities exported with values in excess of \$200,000; in 1965 there were 23 such categories. In addition, many new commodities were introduced into Peru in the years 1965 and 1966 and not shown in Table I, but whose growth possibilities are none the less apparent; these included pickles, car accessories, fasteners,

brake linings, toys, grinding balls, and baby chicks. All in all, the Canadian export performance in Peru has

improved substantially in the last two years.

In the first eight months of 1966, Canada exported \$13.6 million of goods to Peru, a slight improvement over the similar period in 1965. By year's end, our exports are expected to exceed \$23 million, or more than double the \$10.7 million of 1964.

TABLE I

MAJOR CANADIAN EXPORTS TO PERU

| Commodity | Value (Can.\$) | |
|--|-------------------|--|
| | 1964 | |
| Sheet and strip steel | 981,385 | |
| Passenger automobiles and chassis | 871,316 | |
| Wheat | 786,704 | |
| Newsprint paper | 673,260 | |
| Mining-quarrying machinery and parts | 382,971 | |
| Card punch and sorting computers | 365,975 | |
| Wood pulp sulphate unbleached | 353,442 | |
| Aluminum ingots, slabs, etc. | 333,218 | |
| Wood pulp bleached sulphate | 306,158 | |
| Asbestos milled fibres | 294,734 | |
| Malt | 278,980 | |
| Rock drilling and related machinery | 265,605 | |
| TV receiving sets | 260,667 | |
| Power boilers, equipment and parts | 251,894 | |
| Excavating, dredging equipment | 235,519 | |
| Aircraft engines and parts | 214,951 | |
| Milk powder | 197,430 | |
| Oatmeal and rolled oats | 160,490 | |
| Spark plugs and parts | 136,192 | |
| Synthetic fibres and waste | 128,150 | |
| Other | 3,270,330 | |
| Total Exports | 10,749,371 | |
| | 1965 | |
| Passenger automobiles and chassis | 6,712,316 | |
| Newsprint paper | 1,518,216 | |
| Wheat | 1,433,013 | |
| Parts and accessories for motor vehicles | 986,847 | |
| Railway, street rolling stock and parts | 835,691 | |
| Wood pulp sulphate unbleached | 799,797 | |
| Aluminum ingots, slabs, etc. | 637,228 | |
| Sheet and strip steel | 485,864 | |
| Asbestos milled fibres | 422,300 | |
| Tire fabrics, rubbercoated | 330,557 | |
| Malt | 316,133 | |
| Oatmeal, and rolled oats | 302,259 | |
| Power boilers, equipment and parts | 295,540 | |
| Steel castings | 279,672 | |
| Mining-quarrying machinery and parts | 277,357 | |
| Barley | 272,500 | |
| Railway rails | 265,846 | |
| Wood pulp bleached sulphate | 256,540 | |
| Card punch and sorting computers | 255,947 | |
| Synthetic fibres and waste | 247,907 | |
| Other | 4,932,219 | |
| Total exports | 21,863,749 | |

More Expansion Possible

There are still opportunities for considerable further expansion of Canadian exports. In 1965, Peru imported \$722 million worth of goods and in the first nine months of 1966, over \$600 million worth. The United States, West Germany and Argentina are the biggest suppliers and account for over 60 per cent of total imports. There are good opportunities for capital machinery of all types, mining machinery, forestry equipment, specialized consumer products, household appliances, and engineering services.

It is worth reiterating that Peru has no exchange restrictions, a steady exchange rate, no import controls, and political stability. As one indication of Canada's increasing commercial stake in this country, many Canadian manufacturers will display their goods in Lima next October at a spanking new Canadian pavilion to be built at the Pacific International Trade Fair.

Other Canadian manufacturers may wish to participate in the Peruvian market. A personal visit here is always worthwhile, once a preliminary estimation of market possibilities by the Commercial Division of the Canadian Embassy in Lima has been made. If you are seriously interested, why not make the small effort of preparing and sending c.i.f. Callao price lists plus descriptive literature on your product to the Canadian Embassy? The Commercial Division needs this information to give you a preliminary assessment of the market.

The City of Kings (Lima) in the Land of the Incas (Peru) beckons the aggressive Canadian exporter. The Spanish Conquistadores carried off much of the Inca gold in the 1600's but a fair amount of "commercial gold" remains to the present day. Canadian manufacturers and consultants, with aggressive promotion, could sell a great deal more to this rapidly developing country. ●



The Palacio Legislativo stands on Agraciada Avenue in the heart of Montevideo.

The year started well but as it ends

Uruguay's Economy Is Slowing Down

B. SHAPIRO, *Commercial Counsellor, Montevideo.*

ACTIVITY in most businesses in Uruguay continued to decline during 1966. At the beginning of the year industries closely associated with agriculture operated at high levels as great quantities of wool and meat came to market to be processed for domestic and export use. The special stimulus for this activity was the sharp depreciation in the exchange rate of the peso. By the middle of the year this brisk activity had declined. By the end of August, little wool was left in storage out of a total disposable volume of 105,500 tons (87,500 from the 1965-66 clip plus a carryover of 18,000 from the previous year). The new clip began moving to market in October.

Activities in certain highly protected fields such as paper and textile

production continued to be satisfactory well into the year. These industries sell their output entirely in the domestic market and reflect the level at which purchasing power in the country is being maintained. However, there was little new investment in the industrial sector during the year, and there was a general feeling of marking time until the important November elections were over. An exception was the authorization of another sugar mill and preparations began for building it in the sugar-cane area at an estimated cost of \$8.5 million.

A lack of expansion and even some deterioration was noticed in the various state entities which hold monopolies in the fields of electric power, telephones, petroleum refining, railways, port facilities and fish process-

ing. The state meat-packing industry was seriously depressed because the supply of livestock from the farms dwindled sharply. By September sales of beef in Montevideo had declined 12 per cent from the previous year.

In retail business, one of the two remaining large department stores closed its doors, leaving the field largely to a multitude of small shops not affected by union problems. The continuing sharp inflation (the cost-of-living index rose by 36 per cent during the first seven months of the year) had a depressing effect on consumption. However the efforts of the Government to maintain large staffs of employees in the various government departments as well as in the state-operated entities helped to maintain purchasing power and postponed a severe economic crisis. Reports indicate that tax collections have improved somewhat.

A low level of construction of apartment houses and private dwellings was evident throughout Montevideo. Housing in Montevideo is more adequate than in other South American cities, and this, with the state control on rents, indicates no probable increase in the pace of construction in the near future.

Evidence is accumulating that government efforts to stimulate and expand agricultural production are succeeding. Financial and technical assistance is being offered to farmers to improve pasture lands and increase the number and quality of sheep and cattle. In the dairy field, loans by the Inter-American Bank resulted in improving milk production and increasing manufacture of dairy products with the aim of developing export surpluses. A great deal of attention is being paid to the possibilities of increasing rice production. Various international agencies and organizations such as the Ford Foundation are also offering advice and assistance in the agricultural field. By the beginning of summer (December) large crops of fruits and vegetables were appearing on the local market—but at rising prices.

As of October, the important tourist industry was not showing its usual strength. However, the excellent climate and the continuing improvement of the beaches and tourist facilities of the country should attract a large

movement of Argentinians and Brazilians during the summer months.

Exports during the first six months of 1966 ran at a high level, based largely on sales of the wool and meat which had been accumulating in warehouses in the previous year. Export shipments were declining in the latter part of the year, however, and it was not expected that 1966 would end with larger exports than 1965. For example, exports registered in the first nine months totalled \$157 million, only a slight rise over the same period of the previous year. By the end of the year the Government was permitting the exchange rate of the peso to decline gradually in an effort to stimulate exports.

In 1966 the severe restriction on imports was gradually eased to permit the entry of materials urgently required by industry. By October 1966 the embargo had been removed from most products which did not compete with local industry and which were not luxuries. Actual imports during the first nine months of 1966 totalled more than \$125 million, and import applications registered with the authorities indicated a steadily rising volume of imports for the remainder of the year. Foreign exchange was available throughout the year on the open market without much variation in rates.

SOME CANADIAN EXPORTS TO URUGUAY

| | Eight months | |
|-------------------------------------|--------------|------|
| | 1965 | 1966 |
| | (Can.\$'000) | |
| Seed potatoes | 116 | 546 |
| Newsprint | 560 | 776 |
| Passenger automobiles | 151 | 119 |
| Aluminum | 43 | 523 |
| Wood pulp | 82 | 157 |
| Synthetic fibres | 178 | 57 |
| Plastic and synthetic rubber | 40 | 80 |
| Asbestos | 90 | 107 |
| Steel sheets | 141 | 70 |
| Papermakers felts | 13 | 28 |
| Commercial communications equipment | 4 | 26 |

Canadian exports to Uruguay rose steadily during the first eight months of 1966 over the same period of the previous year (see Table.) For the first eight months of 1966 the value of Canadian exports reached \$2.6 million, an increase of over 40 per cent from the previous year. ●

Effect on Canadian trade studied as . . .

Venezuela Joins LAFTA

J. E. KEPPEL, *Assistant Commercial Secretary, Caracas.*

CANADA'S percentage share of the Venezuelan market has almost doubled in the past six years. In 1960, our exports of \$38 million to Venezuela constituted 3.6 per cent of the total value of Venezuelan imports. In 1965, at \$73 million, they made up 6.5 per cent of total imports. This continued advance indicates that Canadian products are in good demand in this developing economy.

Canadian shipments of \$73 million, for 1965 was 12.3 per cent more than the \$65 million sold in 1964. This increase has been mainly due to Venezuelan imports of Canadian-made parts for motor vehicles, knocked down for assembly in this country. (See Table I). Sales of skim and whole milk powder, newsprint, wood pulp, bond and writing paper and aluminum products also rose substantially. Wheat sales dropped considerably in 1965 and this trend has continued into 1966. Sales of whole and skim milk powder and motor vehicles also decreased slightly in the first six months of 1966.

In 1965 Venezuela was Canada's twelfth largest customer and Canada was Venezuela's third largest supplier, behind the United States and West Germany. For the past five years, Canada has been Venezuela's second ranking customer for petroleum, next to the United States. More than 99 per cent of our purchases from Venezuela, in fact, consist of petroleum and petroleum products. (Imports of melons, cocoa, coffee, iron ore and shrimps fresh or frozen, totalled less than 1 per cent of our purchases from Venezuela.) The net result of these oil purchases has been a large balance of trade in favour of Venezuela and there is little chance that this will change in the near future. (See Table II.)

Venezuela formally became a member of the Latin American Free Trade Association on September 1, 1966. This decision has caused some controversy and has strained government-business relations to some extent. The goal of LAFTA is to eliminate gradually the tariffs on all goods moving among the member countries in order to expand trade and build up the national economies.

Economic integration has long been a goal of most of the Latin American countries and the Venezuelan Government believes that Venezuela must expand its markets to maintain economic growth. It therefore cannot afford to remain isolated from an organization that may well lead to effective regional economic integration. It is the Venezuelan Government's opinion that joining LAFTA will encourage and consolidate economic development. The broad economic business association, Federación de Cámaras y Asociaciones de Comercio y Producción, does not share this view but believes that the rules of LAFTA should be modified substantially in order to make the economic integration of Latin America a real possibility. Many Venezuelan manufacturers feel that their industries are not sufficiently developed to face competition from such relatively industrialized countries as Mexico, Brazil and Argentina, as well as other LAFTA member countries with low wage structures.

Despite the higher cost structure of the Venezuelan economy, it is probable that its iron and steel, petrochemical and proposed aluminum industries would possess comparative advantages over other LAFTA members.

To comply with LAFTA regulations, the duties among LAFTA mem-

bers on national list items are reduced by 8 per cent per year, and Venezuela will have to reduce by 40 per cent the weighted average of its tariffs on goods imported from LAFTA countries on the Venezuelan negotiation list. It has been pointed out that Venezuelan imports from LAFTA countries have averaged about 2 per cent of total imports for the past five years. Nevertheless, there are many products made here that could be adversely affected by a tariff reduction and these are currently being studied.

Venezuela is now participating in the 6th LAFTA Conference held to negotiate tariff reductions among the members.

Effect on Canadian Trade

It is too early to say anything definite about the effect that Venezuela's membership in LAFTA may have on Canadian exports to that country. Its oil industry will be able to take advantage of LAFTA to compensate for imports from member countries by increasing oil exports to them. In the

ten years before 1964, exports of petroleum to Brazil, Argentina, Uruguay and Chile (which constitute 90 per cent of Venezuela's exports to Latin American countries) fell by almost 25 per cent and this may have influenced the decision to join LAFTA. On the other hand, it does not seem likely that Venezuela is ready to follow a policy that might impair its prospects of selling oil to its traditional hard currency customers such as the United States or Canada.

Venezuela's suppliers of fresh fruit and other agricultural products from the LAFTA area are located in the Southern hemisphere. Because of the staggered crop period, it seems likely that rather than impair Canada's prospects for such exports, they will probably complement them. Traditional bulk exports from Canada going to Venezuelan industries will probably remain unaffected as long as they want the standard of quality that Canada provides.

Currently, shipping expenses from most LAFTA countries to Venezuela amount to about 20 per cent of the f.o.b. value, according to calculations made by Venezuelan authorities. It is to be expected that in the future shipping services will be organized that will be less costly, more frequent and more efficient, but at present they seem to present real handicaps to interzonal trade.

Settlement with Oil Companies

The introduction of the proposed tax amendment bills early in July (and particularly the excess profits tax to be levied against the private oil companies), combined with outstanding back tax claims and the fuel oil pricing decree of January 1, brought about a recession in economic activity generally. By the end of September, however, the Government and the petroleum industry had reached an overall compromise on all outstanding oil policies. Subject to Congressional approval, it was agreed to eliminate the proposed excess profits tax, substituting an increase from 47½ to 52 per cent as the maximum rate of tax on oil profits. As a basis for levying this tax, a system of reference prices rather than realized prices on petroleum sales would be used. Agreement was also reached on back tax claims. The over-all settlement is to run for five years, beginning January 1, 1967.

TABLE I
WHAT CANADA SELLS TO VENEZUELA

| | 1962 | 1963 | 1964 | 1965 |
|--|---------------|---------------|---------------|---------------|
| | (Can.\$'000) | | | |
| Whole milk powder | 8,708 | 6,918 | 7,368 | 9,114 |
| Skim milk powder | 229 | 238 | 521 | 1,074 |
| Oats | 403 | 539 | 411 | 350 |
| Wheat | 11,802 | 14,199 | 20,764 | 15,562 |
| Malt | 583 | 677 | 604 | 535 |
| Seed potatoes | 662 | 927 | 1,126 | 1,469 |
| Oats byproducts | 12 | 102 | 718 | 582 |
| Asbestos fibres and shorts | 531 | 370 | 657 | 696 |
| Sulphur | | | 388 | 947 |
| Wood pulp | 2,155 | 1,473 | 806 | 1,297 |
| Newsprint | 2,701 | 2,396 | 2,788 | 4,155 |
| Bond and writing paper | 724 | 466 | 734 | 1,234 |
| Plastic and synthetic rubber, not shaped | 1,537 | 1,932 | 2,058 | 748 |
| Sheet and strip steel | 1,631 | 2,526 | 4,470 | 3,323 |
| Aluminum | 1,015 | 763 | 665 | 1,224 |
| Copper | 853 | 1,535 | 2,000 | 1,735 |
| Autos and chassis | 667 | 1,859 | 5,329 | 16,435 |
| Motor vehicle parts | 76 | 445 | 1,444 | 1,039 |
| Washing machines | 308 | 419 | 502 | 534 |
| Card punch equipment | 163 | 379 | 597 | 474 |
| Sub-total | 34,760 | 38,163 | 53,950 | 62,526 |
| Others | 7,568 | 8,165 | 10,125 | 10,519 |
| Total, all exports | 42,328 | 46,328 | 64,075 | 73,045 |

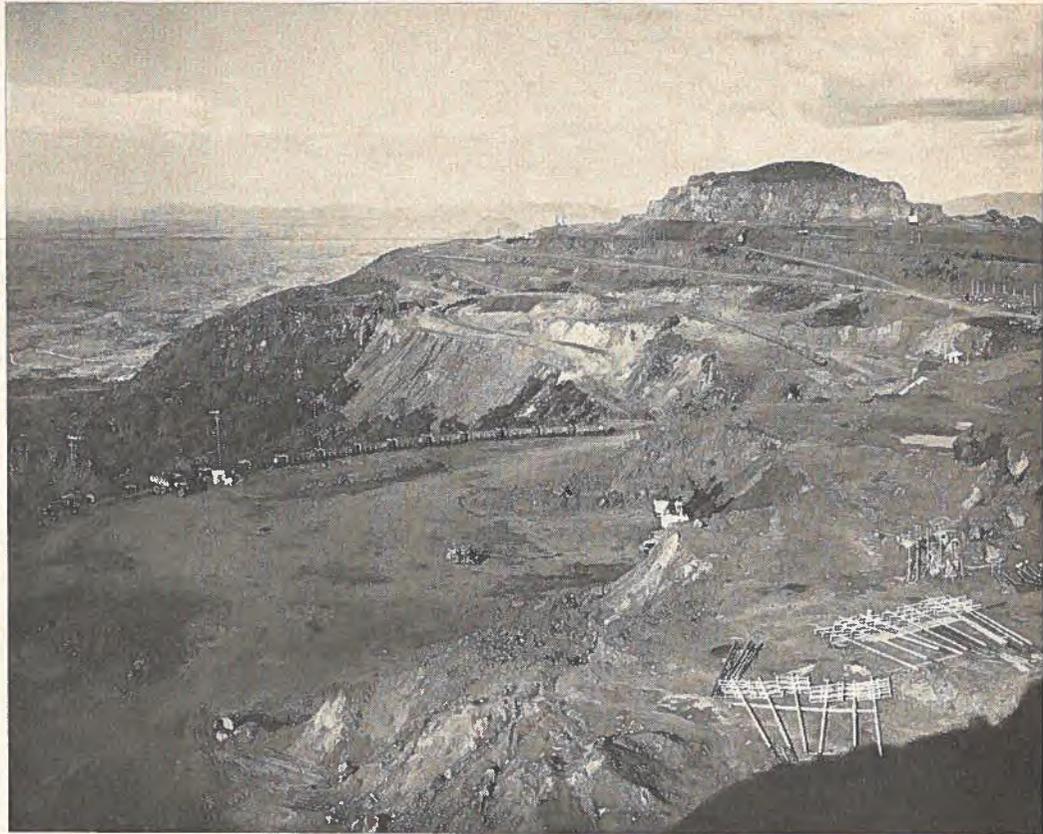
Source: DBS

TABLE II
CANADIAN—VENEZUELAN TRADE

| Year | Canadian Exports | Canadian Imports | Balance in Favour of Venezuela |
|------|------------------|------------------|--------------------------------|
| | (Can.\$'000) | | |
| 1960 | 35,345 | 195,189 | 159,844 |
| 1961 | 34,978 | 216,640 | 181,662 |
| 1962 | 42,328 | 224,275 | 181,947 |
| 1963 | 46,328 | 243,816 | 197,488 |
| 1964 | 64,075 | 270,621 | 206,546 |
| 1965 | 73,045 | 254,670 | 181,625 |

Source: DBS

This is a panoramic view of various mining operations in Cerro Bolivar, Venezuela. The Government is counting on these iron ore mines to expand the country's industrial base and lessen the extent of its dependence on the lucrative oil industry.



The announcement at the end of September of the settlement of oil industry problems quickly restored business confidence. Lack of liquidity continues to affect the construction industry, however, which had been booming in the past two or three years. During the period of uncertainty that lasted about three months, more than \$100 million was transferred abroad and the healthy Venezuelan foreign exchange reserves of some \$850 million were reduced accordingly. Since the oil settlement, some funds have been repatriated.

Both exploration and investment in the oil industry have declined. The daily average production in mid-1966 was 3 per cent less than the 1965 average. Ten years ago there were 120 drilling rigs in operation. Two years ago there were 22 and currently there are 12 involved in exploration. This situation has been largely due to the government oil policy described above and more particularly to the substantial back tax claims and the fact that since 1958, the Venezuelan Government has not granted any new

concessions to foreign oil companies. Present concessions expire in 1983. The first announcement was recently made outlining the terms under which oil companies may enter into service contracts with the Venezuelan Government for exploration of new areas.

One of the major aspects of the Venezuelan economic program is the encouragement of industrialization. This began with replacement of imports by domestic production and has been most successful in the consumer goods area. Employment in the manufacturing industries rose from 186,000 to 200,000; in industry at large from 356,000 to 377,000 in 1965.

Venezuela's large holdings of international reserves, the highest in any Latin American country, have resulted in the International Monetary Fund announcing formally that the Venezuelan Bolivar is now an international currency. It joins the dollar, pound, franc and other hard currencies as an acceptable unit for international transactions.

It is likely that Venezuela's industrialization will proceed towards

the elimination of semi-manufactured imports as well as some of the industrial raw materials currently imported. Local manufacture will be attempted wherever local demand justifies such endeavours and makes them profitable. However, there are products which Venezuela will have to import. Among these are the following: agricultural produce that can only be grown in temperate climates, sophisticated manufactured products which require high skills or costly installations to produce, and semi-manufactured products which go beyond the capacity of secondary industry in this country. With the possible narrowing of the range of exportable commodities from Canada, the competition is likely to become keener. Making sales will call for more aggressiveness, closer cost calculations, speedier action on inquiries, prompt delivery and perhaps more liberal trade terms. Canada's economy, built on the principles of free trade and competition, should be well able to meet this challenge and cultivate the existing prospects. ●

LAFTA Makes Slow Progress

Non-tariff barriers to trade within the LAFTA group remain and the mutual tariff concessions of the past five years have not been fully exploited. The 1966 LAFTA conference was attended by the newest member, Venezuela, and featured negotiations with her.

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

THE MEMBER COUNTRIES of the Latin American Free Trade Association have just held their sixth annual conference in Montevideo, beginning on October 24 and concluding on December 2. At this conference, under the terms of the Montevideo Treaty, the members were to negotiate further preferential tariff concessions between themselves with the object of bringing the preferential tariff level down to one-half of the general rates in force in 1961 when LAFTA was formed. At the time of writing, the actual results of the tariff negotiations were not known but it can be expected that some further reductions will be made, effective January 1967. The conditions surrounding the negotiations as well as the principal issues discussed by the members may be of interest to Canadian exporters.

Non-Tariff Barriers

From its beginning in 1961, the Latin American Free Trade Association has been faced with the problem of negotiating reductions not only in the ordinary customs tariffs but also in the numerous non-tariff devices used by some or all of the members. These include prior deposits, customs surcharges, consular fees, exchange taxes, port taxes and various minor taxes which are still a source of considerable dispute. The maintenance of import restrictions by some members also remains a major issue.

Margins of preference were recently the subject of much debate and it is interesting to note that when the member countries discussed Colombia's request for permission to withdraw a particular concession, the decision

reached was that the preferential duty for the item in question of 15 per cent in Colombia's national list could be raised to 25 per cent as soon as Colombia raised the duty applicable to third countries from 30 per cent to 50 per cent or more.

The elimination of apparent margins of preference by some members through changes in classification or reductions in the prior deposit requirements on imports from third countries was another contentious problem.

Venezuela Joins LAFTA

The principal activity at this session appears to have been negotiation between the nine previous members of LAFTA and Venezuela, following Venezuela's decision to become the tenth member. The nine expected Venezuela to offer them extensive concessions equivalent to the tariff reductions achieved by the members over the last five years which would automatically be extended to Venezuelan products. The smaller LAFTA members are reported to have reached agreement with Venezuela, but the three larger members have not yet concluded their negotiations. During the session, Venezuela announced that it had begun negotiations with the United States aimed at modifying the basic bilateral trade agreement which has been in force between the two countries for many years, and which contains specific commitments on rates of duty to be applied to each other's products.

One of LAFTA's preoccupations is how to induce the business community in Latin America to make fuller use of the quite substantial trading concessions made in the previous five negotiating sessions. It remains more difficult for exporters in Latin America to do business with each

other than to export to North America or Europe. Trade statistics reflect this. For example, in the first half of 1966 it appears that Brazil's total exports to the world jumped by 30 per cent compared with the first half of 1965 but its exports to LAFTA countries declined. Brazil's imports from LAFTA countries declined also. This seems to indicate a slackening in the growth of intra-area exports.

Many Organizations Involved

Latin American countries have a great many social and economic problems in common. It is noteworthy that they are ready and willing to meet together to explore the problems and seek solutions; LAFTA is only one of the Latin American community's organizations.

The advantages of Latin American economic integration receive the attention of other organizations, such as the economic arm of the Organization of American States, the United Nations Economic Commission for Latin America, the Institute for Latin American Integration (established by the IADB), the Inter-American Development Bank itself, and the Central American Common Market's group of institutions. All are earnestly studying aspects of integration and all are undoubtedly watching LAFTA negotiations for signs of the continued willingness of the principal countries to support integration by opening up their markets to their neighbours' products. During the sixth session the executive secretary of LAFTA left for Washington to join an OAS meeting called to discuss co-operation for Latin American integration.

As part of its efforts to get all sectors of the community involved in integration, while the negotiating sessions were in progress, the LAFTA

secretariat called meetings of representatives of the commercial banks in member countries to discuss the expansion of reciprocal credits and the possibility of establishing better export financing facilities. The secretariat also organized meetings of general managers of private and public industries in the various countries to discuss common export and distribution problems. There were meetings of regional shipping organizations

which discussed shipping services between member countries.

Effect on Canadian Exports

The conclusion to be drawn from the sixth LAFTA conference seems to be that the preferential tariff system of LAFTA is becoming a permanent feature of the trading conditions in Latin America, but a free trade area is still far away. A highly protectionist system is being erected

against third countries to induce further substitution of imports and expansion of production. There is little to indicate, however, that the larger Latin American market thus created is leading to increased trade within the area. Meanwhile, there are many products which Latin American countries must import from outside their area and this will provide opportunities for Canadian manufacturers for some time to come. ●

Import and Exchange Regulations in Latin America

The following is a summary of the import controls and foreign exchange regulations currently in force in the various countries of Latin America and the Central American Common Market.

Latin American Division.

Argentina

Import Licences—not required. Importer must make a deposit of 40 per cent of the c.i.f. value at the time of making the customs entry; deposit is held for 180 days. Some items are exempt from the deposit requirement. A long list of “unessential” or “luxury” items are prohibited import.

Foreign Exchange—is purchased at a rate set by the Central Bank. The importer may be required to establish proof that the exchange is being purchased to pay for imported goods. Payment for imports of capital goods valued at more than U.S.\$5,000 must be made in instalments.

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

Bolivia

Import Licences—are required only for a short list of items including certain foodstuffs and other consumer

goods, some chemicals, petroleum and petroleum products, earthmoving equipment and tractors.

Foreign Exchange—there are no restrictions on foreign exchange.

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

Brazil

Import Licences—goods considered essential are classified in the General Category and are imported under general licence. Non-essential goods and goods which compete with Brazilian products are classified in the Special Category and require an import licence. The Special Category is scheduled to be discontinued on March 1, 1967.

Foreign Exchange—for goods in both categories is purchased at the “free” market rate. The importer is issued a “Guia de Importacao” which must accompany the shipper’s export documents.

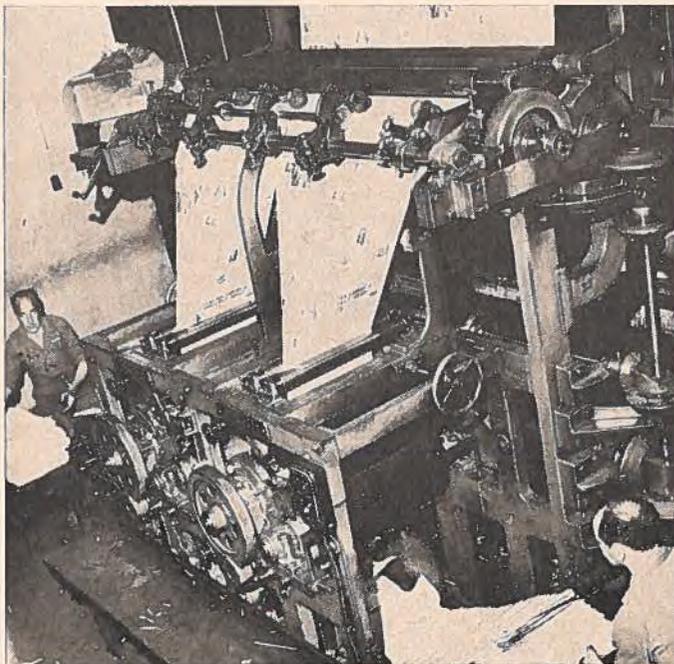
For Special Category goods, the importer must purchase a Promise of Licence at a public auction which is held weekly. Because the total value of Promises offered for auction is limited, bidding is high and the cost of buying these adds considerably to the cost of goods in the Special Category. After obtaining the Promise of Licence, the importer exchanges it for an import licence and then may purchase exchange in the same way as for goods in the General Category.

—continued on page 40

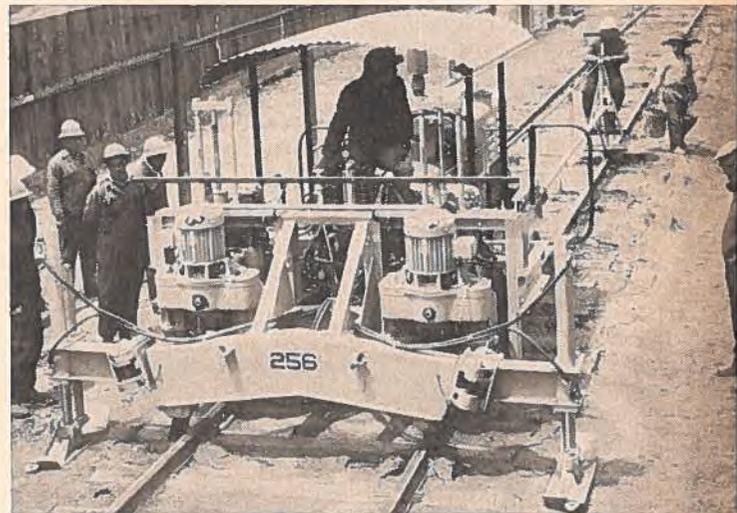
Canada in South American Markets



In Chile—High voltage cable is being used for a number of applications. Here a workman at the Peterborough, Ontario, plant of Canadian General Electric Company Limited checks out a large reel of this cable. More than two miles of the wire was supplied for a new pulp mill 300 miles south of Santiago.



In Uruguay—Newspapers from Canadian newsprint roll off the presses at "Accion", one of Montevideo's leading evening newspapers. Newsprint was Canada's second largest export to Uruguay in 1966 with a value of almost \$500,000.



In Peru—A mobile railroad-tie tamper is shown at work in Cerro De Pasco at an elevation of 11,000 feet. This particular type of machine is very popular in Central and South America for railroad maintenance.

Tariff Features—imports from Canada receive most-favoured-nation treatment. Brazil is a member of GATT. Preferential treatment is given to certain imports from member countries of the Latin American Free Trade Association.

In addition to duties, imports are subject to import taxes amounting to 6 per cent of the c.i.f. value and a tax of 10 per cent of the ocean freight charges. Tariff classification is based on Brussels Tariff Nomenclature.

Chile

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

Foreign Exchange—is purchased at the free bank rate but is not provided until 80 days after the date of the bill of lading.

Tariff Features—imports from Canada receive most-favoured-nation treatment. Chile is a member of GATT. Preferential treatment is granted to certain imports from member countries of the Latin American Free Trade Association. In addition to the duties, most imports are subject to surcharges of from 0.1 to 200 per cent of the c.i.f. value. Other import taxes are: consular fee paid by the importer of 2½ per cent of the f.o.b. value, and a tax of 3 per cent of the ocean freight charges. The importer must put up a deposit equal to the amount of the surcharge, except for a few non-essential items which require a deposit of 10,000 per cent of the c.i.f. value. Deposits are returned to the importer after 90 days, provided that the goods have been cleared through Chilean Customs.

Colombia

Import Licences—all permitted imports require an import licence and registration with the Central Bank. A deposit is made at the time of registration. A copy of the import registration certificate must be presented to the Colombian Consul with the other export documents.

Foreign Exchange—payment for imports is made at the Intermediate rate of exchange (13.50 pesos to the U.S. dollar). The amount of prior deposit is calculated at the Preferential rate (9.00 pesos to the U.S. dollar). The Intermediate rate of exchange is used also for paying 80 per cent of the ocean freight charges. Insurance and other charges are payable at rates to be set by the Central Bank until a free exchange market is again permitted to operate.

Tariff Features—imports from Canada receive most-favoured-nation treatment and certain imports from member countries of the Latin American Free Trade Association receive preferential treatment. Most import duties are ad valorem based on the c.i.f. value, port of

entry. Tariff classification is based on Brussels Tariff Nomenclature.

Dominican Republic

Import Licences—are required only for certain chemicals and explosives.

Foreign Exchange—all remittances abroad are subject to transfer authority by the Central Bank. The importer must make a deposit with the Central Bank of 40 per cent of the f.o.b. value of the goods. However, certain foods, insecticides, medicinal and veterinary products and newsprint are exempt from the deposit requirement. A long list of "luxury" and "non-essential" items may only be imported under letter of credit and a deposit of 80 per cent of the f.o.b. value.

Tariff Features—imports from Canada receive most-favoured-nation treatment. The Dominican Republic is a member of GATT. Import duties may be either specific or ad valorem. Ad valorem duty is assessed on the f.o.b. value, port of shipment. In addition to import duty, the importer pays an import tax.

Ecuador

Import Licences—are required for all imports.

Foreign Exchange—is purchased at an official rate.

Tariff Features—imports from Canada receive most-favoured-nation treatment. Certain imports from member countries of the Latin American Free Trade Association receive preferential treatment. Imports are subject to both specific duty and ad valorem duty. Ad valorem duty is assessed on the c.i.f. value, port of entry. Essential imports (List I) are subject to an Exchange Tax of 10 per cent of the c.i.f. value and deposit of 50 per cent of the c.i.f. value, plus a deposit of 10 per cent of the duties. Less essential imports (List II) are subject to an Exchange Tax of 20 per cent of the c.i.f. value, a special tax of 10 or 15 per cent of the c.i.f. value, a deposit of 70 or 140 per cent of the c.i.f. value, and a deposit of 45 per cent of the duties. The import deposit is waived for importers who obtain credit terms from their foreign suppliers of at least 360 days from arrival of the merchandise at Ecuadorean Customs. The Exchange Tax is waived for imports under licences which read "without foreign exchange". The import deposit on items on List I is reduced from 50 per cent to 25 per cent for importers who obtain credit terms of from 180 to 360 days from arrival of merchandise at Ecuadorean Customs.

Haiti

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

Foreign Exchange—no regulations.

Tariff Features—imports from Canada receive most-favoured-nation treatment. Haiti is a member of GATT. Duties are for the most part ad valorem, assessed on the c.i.f. value with minimum specific rates applicable to a few items. Most items are subject to an import tax of 4½ or 6 per cent of the c.i.f. value. Tariff classification is based on Brussels Tariff Nomenclature.

Mexico

Import Licences—a wide range of goods are subject to import licensing by the Secretariat of Commerce and Industry. Licences are usually not granted for the import of goods which can be produced or substitutes made in Mexico.

Foreign Exchange—no restrictions.

Tariff Features—Mexico grants no tariff preference except to member countries of the Latin American Free Trade Association. Duties are compound—that is, both specific duty and ad valorem duty are applied. Dutiable imports are also subject to a surcharge of 3 per cent of the sum of the duties (10 per cent if imported by mail). A special feature of the Mexican Tariff is that ad valorem duty is applied to either the invoiced f.o.b. value or the official value, whichever is greater. An official value, which in effect is a minimum value for duty, is set for most tariff items. Tariff classification is based on Brussels Tariff Nomenclature.

Republic of Panama

Import Licences—are not required except for narcotics, drugs and certain products which compete with local production and are subject to import quota.

Foreign Exchange—no restrictions.

Tariff Features—Canada enjoys most-favoured-nation treatment. Panama has preferential agreements with Costa Rica and Nicaragua as an initial step toward possible membership in the Central American Common Market. Rates of duty are mostly ad valorem assessed on the f.o.b. value, port of shipment, but a few items are subject to specific duty. Tariff classification is based on SITC nomenclature.

Paraguay

Import Licences—are not required. A small list of items is prohibited.

Foreign Exchange—is freely available but subject to a tax of 32 per cent.

Tariff Features—imports from Canada receive most-favoured-nation treatment. Certain imports from member countries of the Latin American Free Trade Association receive preferential treatment. Copies of the Paraguayan Customs Tariff are not available. In addition

to duties, imports are subject to taxes totalling about 20 per cent of the c.i.f. value.

Peru

Import Licences—not required.

Foreign Exchange—free market with no restrictions.

Tariff Features—imports from Canada receive most-favoured-nation treatment. Peru is a member of GATT. Certain imports from member countries of the Latin American Free Trade Association receive preferential treatment. Imports are subject to both specific duty and ad valorem import tax. The ad valorem import tax is assessed on 120 per cent of the f.o.b. value, port of shipment. However, on precious stones, pearls, semi-precious stones, fine jewellery and gold or platinum watches the ad valorem import tax is assessed on 105 per cent of the f.o.b. value. In addition to the duty and import tax, most imports are subject to a tax of 4 per cent of the ocean freight charges. Tariff classification is based on Brussels Tariff Nomenclature.

Uruguay

Import Licences—the importer must file an import declaration with the Banco de la Republica.

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

Tariff Features—imports from Canada receive most-favoured-nation treatment. Uruguay is a member of GATT. Certain imports from member countries of the Latin American Free Trade Association receive preferential treatment. Ad valorem duties are assessed on an official value or on the c.i.f. value when no official value is set. In addition to the duty, all items are subject to surcharges ranging from 30 to 300 per cent of the c.i.f. value; for many items an "average c.i.f. value" is set and for these products the surcharge is assessed on the higher value. The official value (aforo) for duty is expressed in pesos; the "average c.i.f. value" is expressed in U.S. dollars. In addition to duty and import surcharge, imports are subject to an import tax of 15 per cent of the c.i.f. value; this tax is only 8 per cent for raw materials for industry and 1½ per cent for a short list of items which includes fertilizers, books and crop seeds. Imports are also subject to deposits of up to 300 per cent of the c.i.f. value. Deposits are held for eight months.

Venezuela

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

Foreign Exchange—for imports is available at a fixed rate of 4.50 bolivars to the U.S. dollar.

Tariff Features—imports from Canada receive most-favoured-nation treatment. Duties are specific, levied in bolivars on the gross weight in kilograms. Additional ad valorem duty ranging up to 100 per cent of the f.o.b. value applies to some items, notably those with gold or silver content. In addition to duties, imports are subject to a tax of 2 to 3½ per cent of the f.o.b. value. Tariff classification is based on SITC.

Central American Common Market

The member countries are Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador. More than 95 per cent of the tariff rates have been equalized in a common external tariff based on SITC nomenclature. Trade in locally produced articles, with the exception of a small number of items, is free among member countries. The import tariff is compound: that is, both a specific duty and an ad valorem duty are applied to the same tariff item. Specific duty is stated in U.S. dollars but may be paid in local currencies. Ad valorem duty is assessed on the c.i.f. value, port of entry. Imports from Canada receive most-favoured-nation treatment.

Costa Rica

Import Licences—are required only for drugs and certain plants.

Foreign Exchange—no restrictions.

Tariff Features—a surcharge of 3 per cent of the sum of the duties is applied to the few tariff items which are not in the common external tariff of the CACM.

Guatemala

Import Licences—are not required, but imports must be registered with the Central Bank prior to date of shipment.

Foreign Exchange—no restriction on payment for imports.

Honduras

Import Licences—are not required except for military equipment, gold, alcohol and alkaloids.

Foreign Exchange—no restrictions affecting payment for imports.

Nicaragua

Import Licences—are not required. Importer must register intent to import with the Central Bank before customs clearance of the merchandise.

Foreign Exchange—is obtainable on the strength of the import registration.

Tariff Features—Nicaragua is a member of GATT as well as the CACM.

El Salvador

Import Licences—before placing an order, the importer must register intent to import with the Central Reserve Bank which then issues an import permit.

Foreign Exchange—is obtainable on the strength of the import permit. ●



Foreign Tariffs and Trade Regulations

Ireland

IMPORT LEVY—The Government of Ireland withdrew the import levy on September 30, 1966.

WHOLESALE TAX—On October 1, 1966, the Irish Government introduced a new 5 per cent wholesale tax, which roughly corresponds to the federal sales tax in Canada. It is expected to have little effect on Canadian exports to Ireland.



Trade Commissioners on Tour

In Territory

Afghanistan—K. D. Taylor, Commercial Secretary in Karachi, Pakistan, will visit Afghanistan February 9-13.

Bahamas—D. I. Ditto, Assistant Commercial Secretary in Kingston, Jamaica, will visit Nassau, Freeport and the Out Islands January 15-25.

Ceylon—K. G. DeWolf, Assistant Commercial Secretary in New Delhi, India, will visit Ceylon January 18-23.

Ivory Coast—R. J. Ledoux, Assistant Commercial Secretary in Accra, Ghana, will visit Abidjan January 16-20.

Liberia—V. B. Chew, Commercial Secretary in Accra, Ghana, will visit Monrovia January 30-February 3.

Pakistan—K. D. Taylor, Commercial Secretary in Karachi, will visit Rawalpindi and Peshawar February 6-8.

Thailand—D. H. M. Branion, Assistant Commercial Secretary in Singapore, will visit Bangkok January 23-27.

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

Documentation for Latin America

THE CHIEF CHARACTERISTIC of Latin American documentation is the consular invoice, which is required in 11 of the 19 countries. In Argentina, Brazil and Chile, the regulations call for a combined commercial invoice and certificate of origin; in Bolivia, Costa Rica, Guatemala, Mexico and El Salvador, the commercial invoice is the principal document.

Fees for legalization of documents vary greatly and often are substantial. In some countries there is a flat fee per set of documents; others charge fees based on the value of the shipment. Fees can exceed 15 per cent of the value of the shipment. Some fees are collected by the Consul who processes the documents, others are paid by the importer at the port of entry. The cost of official forms purchased from Consuls can be as high as U.S.\$5.60 per set.

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

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

Some countries specify the time limits within which documents must be presented to the Consul for legalization and these time limits are given in note 12 following the table. Even if no time limit is specified in the regulations of a particular country, there should be

no undue delay in preparing the documents and air-mailing them promptly to the importer so that they will be in his hands by the time the shipment arrives at the port of destination.

Health and pure food regulations often require documents which are not dealt with in this table. Many countries require sanitary or health certificates issued by agricultural or health authorities in the country of origin for animals, plants and their products, and processed foodstuffs. Some of these requirements are dealt with in the pamphlets issued by the Office of Trade Relations for each country.

The procedures for shipments by parcel post and by air cargo usually differ in some respects from those followed for freight shipments as outlined below. In most countries, the requirements are not quite as strict but must be followed precisely to avoid difficulty. The pamphlets issued for each country deal with the procedure for parcel post and air shipments.

The following table indicates the documents required for ocean freight shipments to the 19 Latin American Republics and outline briefly the main requirements to follow in preparing the document.

The number of copies of each document shown in the table is that specified in the regulations of that country. Frequently the importer, the Chambers of Commerce (when required to certify documents), or transportation companies will need extra copies.

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

Abbreviations: C.I.—Consular Invoice; Com. I.—Commercial Invoice; C.O.—Certificate of Origin; B.L.—Bill of Lading;

†—Paid by importer at destination.

All values shown in the table are in U.S. dollars.

| Country | Documents Required | No. of Copies | Consular Fees | Cost of Forms (per set) | Notes (see end of table) |
|-----------|---|---------------|---|-------------------------|--------------------------|
| Argentina | Com. I & C.O. | 4 | 1½% c.i.f. value | | 1, 4, 9, 12 |
| | B.L. | 3 | | | 1 |
| | Packing List | 1 | | | |
| Bolivia | C.I. | 6 | \$5 for first \$1,000 \$10 if over 1,000 c.i.f. value | \$5.00 | 1, 4, 7, 10, 12 |
| | Com.I. | 6 | | | 1, 5 |
| | B.L. | 6 | 1% of difference between f.o.b. & c.i.f. value | | 1, 13 |
| | Copy of Ins. Policy | | | | 1 |
| | Statement or Invoice of Port Charges | | | | 1 |

Abbreviations: C.I.—Consular Invoice; Com. I.—Commercial Invoice; C.O.—Certificate of Origin; B.L.—Bill of Lading;

†—Paid by importer at destination.

All values shown in the table are in U.S. dollars.

| Country | Documents Required | No. of Copies | Consular Fees | Cost of Forms (per set) | Notes (see end of table) |
|--------------------|------------------------|---------------|---|-------------------------|--------------------------|
| Brazil | Com. I & C.O. | 5 | free | | 1, 3, 8, 10 |
| | B.L. | 5 | | | 1 |
| | Guia de Importacao | | | | 1 |
| Chile | Com.I. & C.O. | 4 | 2½% f.a.s.† | | 2 |
| | B.L. | 3 | | | |
| | Supplier's Certificate | 2 | | | |
| Colombia | C.I. | 4 | 1% f.o.b.† | \$5.00 | 2, 7, 8 |
| | Com.I. | 4 | | | 1, 5, 9 |
| | B.L. Import Permit | 4 | \$5.00 | | 1, 10 1 |
| Costa Rica | Com. I | 5 | | | 2, 4, 7 |
| | B.L. | 3 | | | 2 |
| Dominican Republic | C.I. | 6 | 3% f.o.b.† | \$5.00 | 1, 4, 6, 7, 10, 14 |
| | Com.I. | 4 | | | 1, 10 |
| | B.L. | 6 | \$2.00† | | 1, 10 |
| | Copy of Ins. Policy | 1 | | | |
| Ecuador | C.I. | 6 | \$5.00 for first \$1,000 \$2 for each additional \$1,000 or fraction | \$2.00 | 1, 4, 6, 7, 8, 10, 12 |
| | Com.I. | 6 | | | 1 |
| | B.L. | 6 | \$2.00 | | 1, 10 |
| | Import Permit | | | | 1 |
| El Salvador | Com.I. | 7 | \$2.00† | | 1, 9 |
| | B.L. | 4 | \$1.00 per \$500† | | 1, 9 |
| Guatemala | Com.I. | 3 | | | 1, 3, 4, 7, 9, 12 |
| | B.L. | 5 | | | 1, 9 |
| Haiti | C.I. | 5 | \$4.10 up to \$200 f.o.b. \$1.10 plus 2% if over \$200 f.o.b. | \$1.00 | 1, 16 |
| | Com.I. | 5 | | | |
| | B.L. | 6 | \$3.10 | | |
| Honduras | C.I. | 5 | | | 1, 4, 6, 10, 12 |
| | Com.I. | 5 | \$1.00† | | 1, 10 |
| | B.L. | 5 | \$2.00† | | 1, 10 |
| Mexico | Com.I. | 4 | \$2.00 | | 1 |
| | B.L. | 5 | | | 1 |
| | Import Permit | | | | 1, 8 |

| Country | Documents Required | No. of Copies | Consular Fees | Cost of Forms (per set) | Notes (see end of table) |
|--------------------|-----------------------------|---------------|--|-------------------------|--------------------------|
| Nicaragua | C.I. | 8 | | | 1, 4, 6, 7, 11 |
| | Com.I. | 4 | | | 1, 4, 7, 11 |
| | B.L. | 4 | | | 1, 5, 11 |
| Republic of Panama | C.I. | 5 | | \$2.00 | 1, 4, 6, 9, 12 |
| | Com.I. | 4 | | | 1, 5, 9 |
| | B.L. | 4 | | | 1, 5, 11 |
| Paraguay | Com.I. | 4 | 5%† | | 3 |
| | B.L. | 4 | \$5.50† | | 2 |
| Peru | C.I. | 4 | \$2 to \$10 | \$0.80 | 1, 4, 6, 11, 12, 17 |
| | Com. I. | 1 | | | 2 |
| | B.L. | 5 | \$5 per 200 tons or fraction | | 1, 4, 11 |
| Uruguay | C.I. | 4 | \$10.50 plus \$2.10 per 1,000 pesos f.o.b. value | | 1, 4, 6, 7, 10, 17 |
| | Com.I. | 4 | if requested \$21.00 | | 1, 10, 15, 17 |
| | B.L. | 4 | \$6.30 for first 15 lines plus \$5.25 for each additional 15 lines or fraction | | 1, 5, 10, 17 |
| Venezuela | C.I. | 8 | 2% to 3½% f.o.b. value† | | 1, 4, 6, 10, 12 |
| | Com.I. | 3 | | | 2 |
| | B.L. | 4 | | | 1, 5, 10 |
| | Import Permit when required | | | | 1 |

NOTES

- Requires consular legalization or must be presented to Consul.
- Does not require presentation to Consul. (For Chile, prior deposit receipt number and date of issue must be shown on Com. I and B.L.).
- Requires certification by Chamber of Commerce or similar body. (For Bolivia, Com.I. requires this if c.i.f. value is U.S.\$50 or more.)
- Must be in Spanish.
- Certain details must be in Spanish.
- Forms obtained from Consul.
- The specified document is not required for freight shipments valued at less than the following: Bolivia \$U.S.50, Colombia U.S.\$20, Costa Rica U.S.\$25, Dominican Republic U.S.\$100, Ecuador U.S.\$40, Guatemala U.S.\$50, Nicaragua U.S.\$50, Uruguay 100 pesos.
- Consuls will not legalize documents unless a copy of the import permit or analogous document, or evidence of its issuance to the importer, is produced. There are some exceptions to this rule; exporters should assure themselves that if a permit is required, it has been obtained before shipment is made.
- Documents must be legalized by Consul located in Canada.
- Documents must be legalized by Consul at port of shipment whether in Canada or the United States.
- Documents may be legalized by either Consul in Canada or Consul at port of shipment in the United States.
- Time limits within which documents must be presented to the Consul for legalization: Argentina before sailing; Bolivia 5 working days after sailing; Brazil 30 working days after sailing; Ecuador 48 hours before sailing; Guatemala within 10 days after date of Bill of Lading; Honduras 24 hours before sailing; Panama 3 days after sailing; Venezuela 24 hours before sailing. Because the importer requires these documents for effecting Customs clearance they should be airmailed as soon as possible to avoid storage and penalties.
- Bolivia requires three original and 3 non-negotiable B.L.
- Five official forms and one copy on plain paper.
- One copy of the Com.I. will be presented to the Consul for checking purposes and he will retain it. For shipments of (a) machinery and spare parts for industrial installations; (b) industrial raw materials; and (c) agricultural machinery, implements and supplies, the Com. I. must be certified as to price and origin by the Canadian Manufacturers' Association, a Chamber of Commerce or a similar organization. The Consul will certify for a fee of U.S.\$21.00.
- Consular invoices may be purchased from E & G Martijn (Can) Ltd., 1405 Bishop Street, Montreal, Quebec.
- If there is no consul at the port of shipment, the consular fee is collected from the importer at destination.

Foreign Exchange Rates

These nominal quotations may help exporters in checking prices, but they should consult their banks before making any firm commitments. When more than one rate is shown, the one to be used 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.

The mid market rates only are quoted, except when buying and selling rates are specified. The buying rate is that at which banks purchase exchange from exporters; the selling rate is that at which banks sell exchange to importers.

Rates used exclusively in non-merchandise trading are *not* included in this table.

For conversion of column one to the U.S. dollar equivalent, multiply by .92. To convert column two, divide by .92.

| Country and Currency | Value of | | Country and Currency | Value of | |
|---|---|---|---|---|---|
| | Foreign currency unit in Canadian dollars | Canadian dollar in foreign currency units at Dec. 9 | | Foreign currency unit in Canadian dollars | Canadian dollar in foreign currency units at Dec. 9 |
| Algeria Dinar | .2189 | 4.58 | Dominican Republic Peso | 1.083 | .92 |
| Argentina Peso (free) | .0044 | 232.56 | Ecuador Sucre (official) (free) | .0602 .0547 | 16.67 18.35 |
| Australia Dollar | 1.21 | .8333 | El Salvador Colon | .4334 | 2.31 |
| Austria Schilling | .0419 | 23.98 | Fiji Pound | 2.723 | .37 |
| Bahamas Dollar | 1.058 | .9523 | Finland Markka | .3386 | 2.95 |
| Belgium and Luxembourg Franc | .0217 | 46.25 | France, Monaco, etc. ⁴ Franc | .2189 | 4.58 |
| Bermuda Pound | 3.022 | .33 | Franco-African Republics ⁵ Franc | .0044 | 227.79 |
| Bolivia Peso | .0914 | 11.01 | French Pacific ⁶ Franc | .0120 | 82.64 |
| Brazil Cruzeiro (official free) | .0005 | 2,053.39 | Germany D Mark | .2727 | 3.67 |
| Britain Pound | 3.022 | .33 | Ghana Cedi | 1.259 | .80 |
| British Honduras Dollar | .7555 | 1.32 | Greece Drachma | .0361 | 27.86 |
| Burma Kyat | .2275 | 4.40 | Guatemala Quetzal | 1.083 | .92 |
| Ceylon Rupee | .2267 | 4.41 | Guyana Dollar | .6296 | 1.59 |
| Chile Escudo (bank rate) (free) | .2517 .2198 | 3.96 4.55 | Haiti Gourde | .2167 | 4.65 |
| Colombia ¹ Peso (intermediate) | .080 | 12.50 | Honduras Lempira | .5417 | 1.85 |
| Congo, Republic of ² Franc | .0072 | 139.50 | Hong Kong Dollar | .1889 | 5.33 |
| Costa Rica Colon | .1635 | 6.15 | Hungary Forint (official) | .0921 | 10.86 |
| Cuba ³ Peso | | | Iceland ² Krona (official) | .0252 | 40.00 |
| Czechoslovakia Koruna | .1505 | 6.67 | India Rupee | .1438 | 7.02 |
| Denmark Krone | .1570 | 6.41 | Indonesia ⁷ Rupiah | | |

| Country and Currency | Value of | | Country and Currency | Value of | |
|-----------------------------|---|---|--|---|---|
| | Foreign currency unit in Canadian dollars | Canadian dollar in foreign currency units | | Foreign currency unit in Canadian dollars | Canadian dollar in foreign currency units |
| | | at Dec. 9 | | | at Dec. 9 |
| Iran | | | Peru | | |
| Rial | .0143 | 69.93 | Sol (free) | .0404 | 24.94 |
| Iraq | | | Philippines | | |
| Dinar | 3.034 | .33 | Peso (free) | .2778 | 3.60 |
| Ireland | | | Poland | | |
| Pound | 3.022 | .33 | Zloty (fixed basic rate) | .2709 | 3.68 |
| Israel | | | Portugal & Colonies⁸ | | |
| Pound | .3611 | 2.77 | Escudo | .0377 | 26.66 |
| Italy | | | Sierra Leone | | |
| Lira | .0017 | 581.86 | Leone | 1.511 | .66 |
| Japan | | | South Africa | | |
| Yen | .0030 | 335.37 | Rand | 1.511 | .66 |
| Lebanon | | | Spain & Dependencies | | |
| Pound (free) | .3482 | 2.87 | Peseta | .0181 | 55.55 |
| Malaysia | | | Sweden | | |
| Dollar | .3539 | 2.83 | Krona | .2094 | 4.79 |
| Mexico | | | Switzerland | | |
| Peso | .0867 | 11.61 | Franc | .2506 | 4.00 |
| Morocco | | | Syria | | |
| Dirham | .2167 | 4.42 | Pound (free) | .2836 | 3.53 |
| Netherlands | | | Thailand² | | |
| Florin | .2993 | 3.34 | Baht (free) | .0527 | 19.25 |
| Netherlands Antilles | | | Tunisia | | |
| Florin | .5745 | 1.74 | Dinar | 2.075 | .48 |
| New Zealand | | | Turkey | | |
| Pound | 3.011 | .33 | Lira | .1204 | 8.35 |
| Nicaragua | | | United Arab Republic | | |
| Cordoba | .1548 | 6.50 | Pound (official) | 2.492 | .40 |
| Nigeria | | | United States | | |
| Pound | 3.022 | .33 | Dollar | 1.083 | .92 |
| Norway | | | Uruguay | | |
| Krone | .1515 | 6.64 | Peso (free) | .0144 | 69.44 |
| Pakistan | | | Venezuela | | |
| Rupee | .2267 | 4.41 | Bolivar (official free) | .2416 | 4.14 |
| Panama | | | West Indies | | |
| Balboa | 1.083 | .92 | Dollar ⁹ | .6296 | 1.59 |
| Paraguay | | | Pound ¹⁰ | 3.022 | .33 |
| Guarani (free) | .0087 | 116.27 | Yugoslavia | | |
| | | | Dinar (official) | .0867 | 11.63 |

1. The fixed rate is no longer in effect, as of August 22, 1966.
2. Additional rates are in effect.
3. There is no trading in Cuban pesos in U.S. or Canadian banks at present.
4. Franc is also used in French Guiana, Guadeloupe and Martinique.
5. 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.
6. New Caledonia, New Hebrides, French Polynesia.
7. As Indonesia is no longer a member of the IMF, a realistic rate is not available.
8. Approximately same rate for Portuguese territories in Africa.
9. Barbados, Trinidad and Tobago, Leeward and Windward Islands.
10. Jamaica.

Marketing Data Sheet

CHILE

Area

286,396 square miles.

Climate

Varies from sub-tropical to cold. Iquique at 64.2 degrees F. and Punta Arenas at 43.9F. have the highest and lowest average temperatures. The yearly temperature ranges from a low of 35.8F. in Punta Arenas to a high of 71.8F. in Talca. The humidity ranges from an average of 80 per cent in Iquique to 60 per cent in Valparaiso.

Population

Total population, June 30, 1965, 8,786,000 (estimated).

| | <i>Males</i> | <i>Females</i> |
|-------------|--------------|----------------|
| 35 and over | 1,183,000 | 1,313,000 |
| 25 to 34 | 593,000 | 603,000 |
| 15 to 24 | 788,000 | 802,000 |

Households

At June 30, 1965, 1,598,000 (estimated).

Income

National, escudos 17,134 million in 1965; per capita, escudos 1,928.

Motor Vehicles

At December 31, 1964, there were 98,300 passenger and 89,340 commercial vehicles.

Telephones

34 per 1,000 persons.

Radio and Television

An estimated 2,800,000 radios and 50,000 TV sets (525 lines per picture) are in operation. TV and radio facilities are both publicly and privately owned.

Water Supply

Average pressure delivered to consumer varies according to source. In Santiago, solids total 560 and hardness 560 per million. pH averages 8.0.

Electric Power

50 cycle A.C., 220/380 volts. There are one- and three-phase systems. The neutral wire of the distribution system is grounded. A ground wire is not required in appliance cords, but appliances must be grounded to water pipes. 1,150 mw. installed capacity. The generation of electric energy amounts to 5.6 billion kwh. per year.

Coal

Bituminous, sub-bituminous and lignite. In 1965 consumption totalled 1,513,623 tons and production 1,727,004 tons.

Gas

Manufactured gas is supplemented by LPG where mains have not been laid. Thermal content in Santiago, manufactured 4,100 calories per cubic metre; butane and propane 24,000 calories per cubic metre. Chemical analysis, pressure and prices vary. Customers total about 650,000. There is a rise in consumption of both manufactured and LPG gas.

Petroleum Products

All grades and types are produced locally from crude oil and all are imported. Production of crude oil in 1965 amounted to 2,019,750 cubic metres. Refinery production totalled 2,746,060 cubic metres.

Weights and Measures

Metric system.

Screw Thread

All in use but Whitworth most common. Right hand thread is used.

Standards

Official approval from the Dirección de Servicios Eléctricos de Gas, General Amunátegui 58, Santiago, Chile, is mandatory for gas and electrical appliances. ●



If undelivered return to:
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