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FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA

Development and Trade in Latin America

FOREIGN TRADE

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COVER: A Mexican scans the El Sumidero Canyon in the state of Chiapas, Southern Mexico, through his field-glasses. The country's varied terrain and considerable natural resources have contributed to its progress throughout this century. An up-to-date report on this progress and on that of its Central American neighbours is provided by the articles in this issue.

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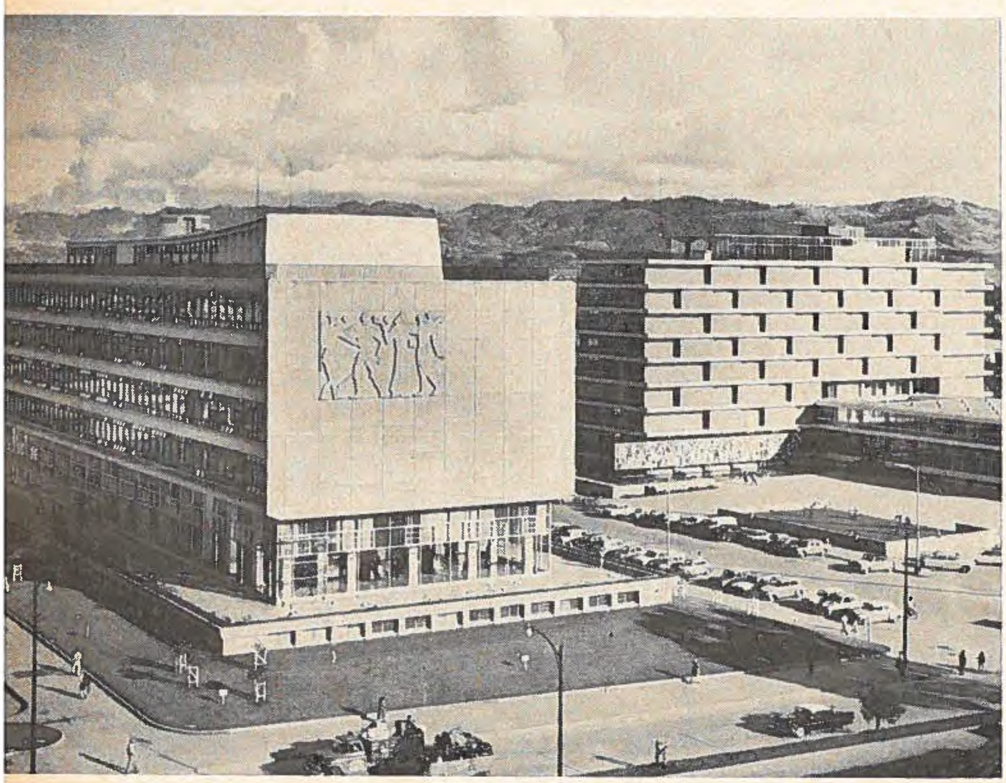
92940—1

CACOM
Increases Trade Opportunities

Stimulus to industry and development that the Central American Common Market provides should increase Canadian trade opportunities though these may change in character as time goes on.

R. DOUGLAS SIRRS, *Commercial Secretary, Guatemala City.*



The powerful shapes of modern buildings in Guatemala City symbolize the dynamism of the new Central America. The picture shows the City Hall (left) and the Social Security Building (right) against the distant backdrop of pleasant green hills.

THE STEADILY INCREASING PROGRESS of the CACOM since it actually began to function in 1961 should provide Canadian firms with a new and broader perspective on economic opportunities in Central America. Indeed, while planning participation in the trade of each of the five member countries, our task should be immeasurably simplified (and certainly placed on a sounder footing) when we look at all of these countries as a single unit. This makes for a considerably more attractive market than each of these countries as individual units provides. We are then dealing with 12.4 milion people and a population growth rate of 3.1 per cent, imports of approximately $700 million, a per capita GNP of $276 and a GNP increase of 6.7 per cent a year, a common external tariff, the virtual elimination of internal tariffs, and a tendency towards standardized import procedures.

As a yardstick of CACOM progress, some of the more significant developments to date are reviewed below.

Regional Trade Rising

Between 1960 and 1965, trade between the CACOM member countries increased by 316 per cent to a total of $136 million. Looking at it another way, 13.8 per cent of total CACOM trade in 1964—both internal and external—originated in the area as opposed to 6.4 per cent in 1960. Some 93.6 per cent of all items in the CACOM tariff schedule are exempt from duties within the area for purposes of stimulating trade. This, of course, is in keeping with objectives of

Table I

Exports to the CACOM Area and Panama from Major Sources

	1964	1965
	(U.S.$million)	
Guatemala	202.1	228.9
El Salvador	191.1	200.5
Honduras	101.6	121.9
Nicaragua	136.9	160.8
Costa Rica	138.6	178.2
Subtotal	770.4	890.5
Panama	165.3	208.4
Total	935.8	1,099.0
United States	406.2	447.5
Japan	55.2	78.7
West Germany	74.7	81.7
Britain	35.4	43.8
Canada	18.2*	20.2*

Imports from the CACOM Area and Panama by Major Outlets

	1964	1965
	(U.S.$million)	
Guatemala	164.3	185.7
El Salvador	178.0	187.2
Honduras	92.7	126.5
Nicaragua	125.0	143.3
Costa Rica	113.8	111.8
Subtotal	674.1	754.7
Panama	60.0	68.9
Total	734.2	823.7
United States	276.1	317.8
Japan	83.6	106.5
West Germany	128.3	119.6
Britain	9.8	9.4
Canada	34.8*	38.9*

Table II

Canadian Trade with CACOM Area and Panama

IMPORTS FROM CANADA			EXPORTS TO CANADA		
	1964	1965		1964	1965
	(Can.$'000)			(Can.$'000)	
Guatemala	3,433.0	4,001.3	Guatemala	2,422.1	2,879.0
El Salvador	4,416.3	4,051.3	Honduras	7,670.2	10,192.7
Honduras	1,259.6	1,004.5	El Salvador	3,355.5	2,696.3
Nicaragua	2,209.0	2,805.3	Nicaragua	726.8	246.9
Costa Rica	3,841.0	5,396.7	Costa Rica	8,363.1	6,715.2
CACOM total	15,158.9*	17,259.1*	CACOM total	22,537.8*	22,730.3*
Panama	4,602.0	4,621.9	Panama	15,095.2	19,413.5
Grand total	19,760.9	21,881.0	Grand total	37,633.0	42,143.8

*Canadian figures are f.o.b. and might be adjusted upwards by approximately 20 per cent to provide estimated c.i.f. value and a more valid comparison with figures for other countries which are provided on a c.i.f. basis. (Locally available c.i.f. statistics on Canadian trade show a wide disparity from actual shipments as reflected in DBS statistics.)

this regional organization, although individual results have been uneven. Thus 1965 figures show that (taking into account the area's total imports and exports):

32.55 per cent of the regional trade was with El Salvador
25.9 per cent was with Guatemala
17.8 per cent was with Honduras
12.3 per cent was with Costa Rica
11.4 per cent was with Nicaragua.

The two countries with the most favourable experience (El Salvador and Guatemala) actually sold more in the area than they bought there. Costa Rica also enjoyed a favourable balance of trade within CACOM. The other two countries, however, with a less sophisticated industry, had trade deficits with the area and have asked for CACOM approval of special incentives to industry.

Concessions have been granted to Honduras and consideration of an ECLA (Economic Commission for Latin America) report on Nicaragua's application is now pending. Nicaragua is perhaps in a particularly sensitive spot because its trade relations outside of the CACOM area have actually been highly satisfactory; it has a favourable balance of trade, thanks to exports of cotton, bananas, sugar, coffee, meat and so on. It also shows signs of effectively attracting industry from foreign sources.

Spur to Industrial Development

It is the development of industry which does, of course, provide the goal for and the most effective stimulus to the development of CACOM. This has been dramatically borne out by the over fivefold growth in the area's trade in industrial goods between 1960 and 1965. The regional economy can be said to be slowly lessening its overwhelming dependence for earnings of foreign exchange outside CACOM on a few crops (coffee, cotton, bananas, sugar).

It should be noted that industrial development within this area started at a relatively low level so that the implementation of CACOM has been a substantially smaller problem than the LAFTA members, with a more sophisticated industrial development, have encountered. Yet industrial development within CACOM has not been easy and "integration industries" are still the product of delays ranging between three to five years before they obtain monopoly status. This status confers tariff protection against products from external sources and free access to CACOM members (competing non-integrated local industry must wait ten years for similar concessions). Since the signing of the first protocol on January 29, 1963, integrated status has been achieved by manufacturers of tires, caustic soda, insecticides and plate glass.

Foreign Trade

The CACOM area in 1965 accounted for exports worth $754.7 million, 80 per cent of which represented a narrow tropical agricultural base because they consisted mostly of cotton, coffee and bananas. On the other hand, imports worth $890.5 million consisted of a wide range of products, mostly in processed or semi-processed form. This fact has meant considerable scope for Canadian and other foreign manufacturers of finished goods. This opportunity will, of course, ultimately lessen to the extent that local industry develops. Canadian firms should thus take steps to foresee these changes and to consider the sale of raw materials or component parts (or the establishment of local industrial ventures) when the closing of the market becomes imminent. At present the U.S. maintains a commanding hold on CACOM-area trade because it supplies 54.1 per cent of its imports and absorbs 42.1 per cent of its exports. But competition from other sources, chiefly Japan and West Germany, has been increasing and cutting into areas traditionally monopolized by U.S. suppliers.

Canadian exporters have shown considerable skill in penetrating this area and have succeeded in supplying a wide array of products, ranging from wheat and raw materials to sophisticated items such as cobalt beam therapy units and power stations. But they could do more to increase sales or participate more in the growth of this economy, in keeping with the development of the CACOM. The field of engineering services is one in which prospects are particularly good in view of CACOM's development objectives, our proven and recognized skills, and the various financing programs open to Canadian firms (such as the World Bank, the long-term financing provided by ECIC, the Inter-American Development Bank, and the Central American Bank for Economic Integration). Canadian firms have already participated in a hydroelectric power project in Guatemala and will shortly embark on a port-improvement project in El Salvador.

In considering direct exports, it should be noted that uniform rates of duty have been agreed upon by CACOM members on all but 17.8 per cent of the area's imports from abroad.

Table I gives the over-all CACOM trade picture. Canadian participation is given in Table II.

Several organizations are associated with the CACOM (see *Foreign Trade* of December 25, 1965) but the one of immediate concern to Canadian businessmen and particularly to those involved in engineering and the supply of related equipment is the Central American Bank for Economic Integration.

This organization has already been actively involved in development ventures, as Table III shows. It is interesting to note the larger number of applications from the less developed countries, Nicaragua and Honduras, and their share in development loans in the months ahead will probably be increased.

Looking Ahead

Panama looms large in the CACOM picture because it has already taken steps to join several of the regional organizations. Should it become a full-fledged member of the CACOM, the opportunities offered to outsiders will be considerably enhanced because of the additional 1.2 million people and, of more importance, the accession of a new area with a relatively high per capita GNP of $435.

Exporters should keep in touch with the steady buildup of the area's over-all infrastructure, industry and agriculture, and must also bear in mind that a population of 21 million is estimated for the CACOM region by 1980. With the relative stability of the CACOM members' currencies and the sound financial backing of development projects within the area, there is every reason to be optimistic about Canadian participation here. We are convinced, in fact, that Canada can play a much greater role in Central America and we were encouraged during the last quarter of 1966 by the increase in visitors to the Guatemala office. Most of them were in quest of new or increased sales and/or opportunities in the far-reaching field of engineering, with its substantial equipment supply base. This office will be pleased to facilitate appropriate local contacts and to extend every possible assistance. •

TABLE III

STATUS OF LOANS BY CABEI

(as of June 30/66)

	Applications	Disbursements (U.S.$)	Unallocated
	77,615,000	26,721,000	
Guatemala	13,210,000	6,393,000	5,337,000
El Salvador	15,874,000	7,985,000	5,610,000
Honduras	19,324,000	5,240,000	11,957,000
Nicaragua	16,295,000	2,533,000	3,838,000
Costa Rica	12,863,000	4,522,000	4,700,000

Mexico

The impressive Paseo de la Reforma in Mexico City reflects the solid prosperity of the country.

- Exports increasing faster than imports.
- More competition prescribed for local industry.
- Mexican ownership to be further extended.

M. B. BLACKWOOD, *Commercial Counsellor, Mexico City.*

IN MEXICO the year just ended witnessed progress in virtually all sectors of the economy. The outlook is bright. President Diaz Ordaz, now entering the third year of his six-year term of office, is directing the nation's affairs well. He is but one of a long line of presidents from the political party in power since 1929. Because they serve for one six-year term and cannot be re-elected, Mexican presidents have a driving compulsion to make a lasting contribution to their country. Political continuity has created a climate of confidence in Mexico's economy both for Mexican investors, industrialists and businessmen and for foreign interests as well.

Mexican Peso Hard Currency

There has not been a devaluation of the peso since 1954 which confirms Mexico's economic strength. Indeed, the International Monetary Fund now considers the Mexican peso to be a hard currency—a matter of some pride for the country.

The cost of borrowing in Mexico increased in 1966 partly because of the tight money situation in the United States, the main source of credit for financial institutions and industrial organizations. Though internal interest rates were high before, they are even higher now. Prime clients who paid 13 per cent on loans from commercial banks a year ago are now paying up to 16 per cent. (Although these rates appear high compared with those in Canada, profits in Mexico are proportionately higher also.) Despite this, the Government has kept inflation to modest levels by its fiscal policy and by rigid price controls on basic consumer products.

Mexico's Trade Increases

Mexico's exports in the period January-September 1966 totalled U.S. $882.4 million, 14.7 per cent more than in the same period of 1965. Imports amounted to U.S.$1,175 million, an increase of only 1.4 per cent. The trade deficit of U.S.$291 million was 24.9 per cent less than in the first nine months of 1965.

Mexico's trade with the other members of the Latin American Free Trade

92940—2

Association (LAFTA) spurted ahead in the first nine months of 1966 to reach U.S.$67.4 million, compared with U.S.$49.2 million in the same period of 1965, and it had a surplus of U.S.$14.4 million on this trade. LAFTA trade, however, is still only a small fraction of total Mexican foreign trade and its growth has not been nearly as rapid as anticipated at the 1960 Montevideo Conference which created LAFTA.

TABLE I

MEXICO'S TOP TEN 1965 EXPORTS

	(U.S.$million)
Raw cotton	212.2
Corn	77.2
Coffee	73.0
Refined and brown sugar	58.9
Shrimp	42.7
Zinc concentrates and bars	42.7
Wheat	41.6
Cattle, fresh and frozen meat	38.0
Tomatoes	35.1
Sulphur	33.6

TABLE II

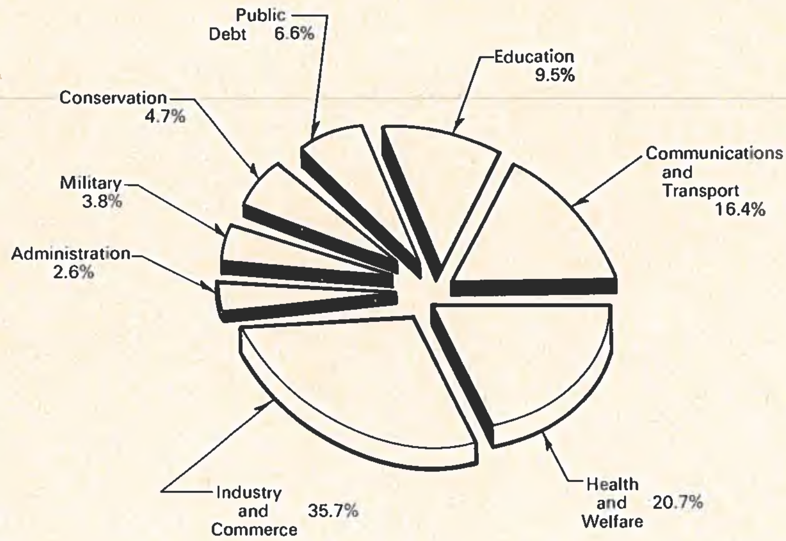
MEXICO'S TOP TEN 1965 IMPORTS

	(U.S.$million)
Mechanically driven machinery	128.8
Passenger cars	98.9
Auto parts and replacements	52.8
Machinery replacements	41.5
Tractors	32.5
Iron and steel	32.2
Crude or artificial rubber	24.4
Telephonic and telegraphic apparaus	23.3
Wool	23.0
Fixed material for railways	20.7

Tourism Brings Dollars

Tourism is one of the bulwarks of the Mexican economy. Foreign exchange earnings from this source annually total over U.S.$250 million and have been increasing at about 10 per cent a year. Were it not for tourist earnings, the country's balance of payments would be in the red rather than in the black. Promotion of tourism receives a high priority and good progress is being made in providing the right amenities. In preparation for the Olympic Games to be held here in October 1968, ground is being broken for new hotels, highways and other facilities which will be a boon to the tourist industry long after the Games are over.

Allocation of Mexico's 1967 Budget



Budget for 1967

The budget for 1967 stands at U.S. $4.44 billion, 6 per cent more than in 1965. Some 60 per cent of government revenue will be spent by decentralized government agencies and the remainder by government departments. Promotion of industry and commerce will receive 35.7 per cent, the largest slice of the total budget. Health and welfare will receive slightly more than 20 per cent. Communications and transportation (railways, highways, airports, telecommunication services and maritime works) will receive 16.4 per cent. Education and cultural services have been allocated 9.5 per cent, with the emphasis on education in the primary grades. Public debt servicing will absorb 6.6 per cent of the total, or U.S.$296 million. Over U.S.$120 million of this will go to the payment and servicing of foreign obligations. Conservation of natural resources, including irrigation, agricultural development, agrarian reform and forestry, will receive 4.7 per cent. Only 3.8 per cent has been set aside for national defence, in keeping with Mexico's policy of non-intervention in the affairs of other nations. The remaining 2.6 per cent of the budget has been allocated to general administration.

Though anticipated income in 1967 should allow for a small budgetary surplus, it is probable that expenditures will greatly exceed the target, as has happened in recent years.

Foreign Loans and Investments

To finance development of economic infrastructure, Mexico has had to borrow heavily. At June 30, 1966, the consolidated debt (both internal and foreign) had reached more than U.S. $2.55 billion, equivalent to 13.1 per cent of the 1965 gross national product. The annual debt service now amounts to about 24 per cent of the total debt. The Ministry of Finance scrutinizes carefully all borrowings proposed by the Government and its decentralized agencies, with the result that Mexico's credit rating abroad remains A-1.

Direct foreign investment in Mexico (where the investor is owner or part-owner of the enterprise) averaged about U.S.$144.5 million per year over the 1961-65 period. The figure for 1965 was U.S.$197.6 million, but that for 1966 is expected to be somewhat lower because of the tight money situation abroad.

Direct foreign investment is concentrated in manufacturing, mining and commerce. Mexico welcomes foreign investment but in keeping with its basic nationalistic policies, the Government exercises control. Loans to the Mexican Government and its agencies by foreign governments and international banking institutions are in the preferred category. Next comes foreign capital which creates a minority interest in an enterprise with Mexican partners.

Though foreign capital still has majority control in some fields, particularly in the automotive industry, the policy of Mexicanization is obliging more and more industries to transfer majority control to Mexican citizens or institutions.

Mexican Ownership Extended

Apart from sulphur, the mining industry has now been almost fully Mexicanized. At the same time, the Government has improved the mining laws to encourage more active development and, through tax arrangements, to permit higher profits. As a result, despite Mexicanization, foreign mining companies (including several from Canada) are taking a more active interest in the industry.

The sulphur industry, until recently controlled by foreign interests, is now undergoing Mexicanization also. The country's largest producer, Azufrera Panamericana, S.A., an affiliate of Panamerican Sulphur Co., recently received an offer under the terms of which 43 per cent of its capital would be purchased by the Mexican Government and a further 23 per cent by a private investment group headed by the Banco Nacional de Mexico. Foreign ownership in the company would drop to 34 per cent and U.S.-$60 million in compensation in cash and notes bearing 7.45 per cent interest was proposed.

Checking Capital Outflow

Free remittance of profits and the absence of any foreign exchange control have stimulated foreign investment. Last year, however, there were comments from a number of official and semi-official sources that foreign companies have not been reinvesting their profits to a desirable extent and a net outflow of capital has resulted. During the period 1961-64 it is estimated that foreign companies reinvested an average of 36 per cent of profits. Although it is considered unlikely that the Government will enact specific legislation on profit transfers out of Mexico, every encouragement may well be expected to ensure that foreign-owned companies increase their rate of investment.

Imports to Create Competition

For a number of years, Mexico's import policy has been designed to protect local industries and encourage the establishment of new manufacturing enterprises. Although this has resulted in the replacement of many imports by locally manufactured products, it has also sheltered many manufacturers to the point where they enjoy a virtual monopoly. There are signs now that greater competition is to be injected into the economy. The Ministry of Commerce and Industry has announced that imports may now be authorized if a Mexican firm is unable to supply similar goods within a reasonable period of time or if the price quoted by the local manufacturer is 35 per cent higher than the price of the imported goods.

Power and Telecommunications

The Government is undertaking major projects to speed up general economic development and to raise living standards. The expansion of electric power production and the installation of telecommunication systems are two of the more important. The government-owned Federal Electricity Commission has made real progress in the past several years, but although installed capacity is over 5.7 million kilowatts and plans include two new thermal power stations, still more electric power is needed for new industries and for consumers. At present, only about 18 million Mexicans out of a total population of 44 million have electricity service. The World Bank has been the major source of financing, particularly for equipment and services from abroad. In conjunction with the World Bank, Canada has made a loan of U.S.$5 million to Mexico for the purchase of electrical equipment and engineering services from Canada.

The national telecommunications program calls for the expenditure of over U.S.$500 million between now and 1970. Plans are under way to extend and modernize airport communications, the telex service, checking and monitoring services, international communications, maritime radio communications, the national distribution network, and radio photo services.

Mexico's Goals, 1966-70

President Diaz Ordaz in his annual address to the nation on September 1, 1966, summed up the Government's program:

- **To achieve at least a 6 per cent annual increase in the gross national product.**
- **To grant priority to the agricultural sector in order to accelerate its development and strengthen the internal market.**
- **To promote further industrialization and improve industrial efficiency.**
- **To adjust imbalances in regional development and in economic activities.**
- **To distribute the national income equitably.**
- **To improve education, housing, and social welfare.**
- **To encourage internal saving.**
- **To maintain the exchange rate and suppress inflation.**

Priorities for Development

The dynamism in Mexico's economy makes both the immediate and the longer-term outlook appear bullish; the country is well beyond less-developed status and is moving forward to a place among the developed nations. Naturally, progress is not even in all sectors of the economy and much has yet to be done to give large sections of the population an equitable standard of living. But Mexico has set its goals and is taking the necessary steps to reach them.

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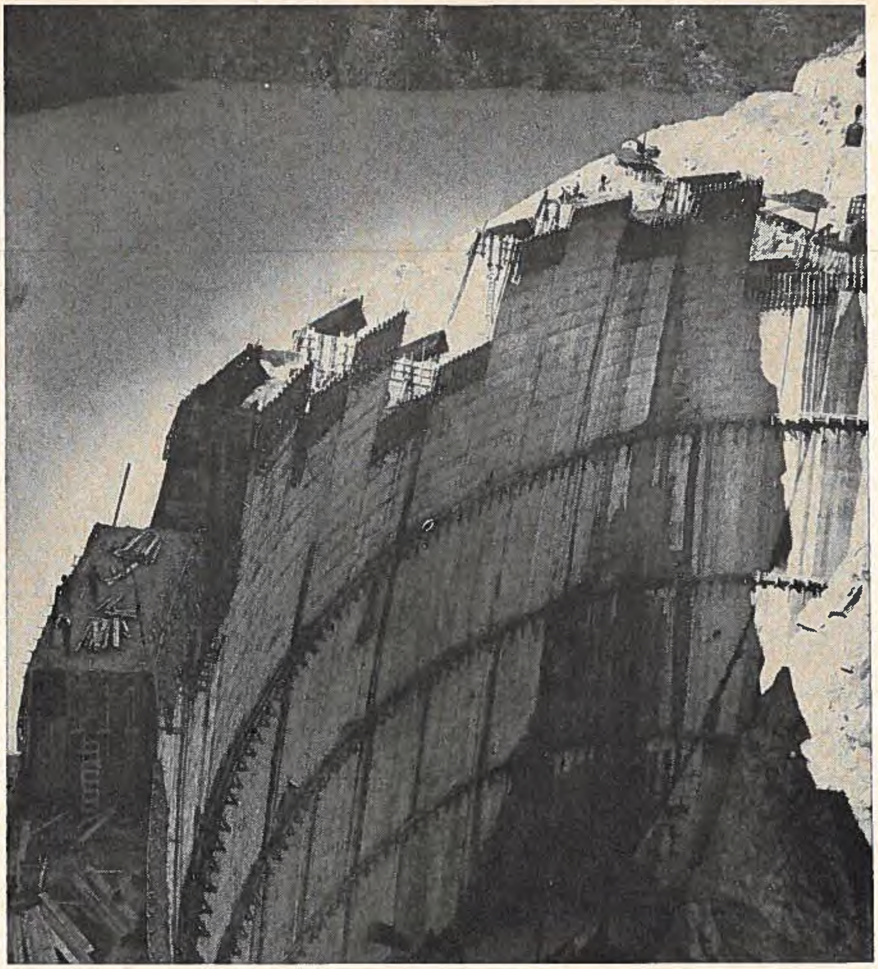
Half of Mexico's population has no electric power. Dams such as this one, financed by the World Bank, are bringing dramatic changes to the countryside, supplying more power for industry.



Canada Helps Finance Mexican Power Development

CANADA recently joined with the World Bank and a number of countries to help finance Mexico's national power expansion program. The Mexican Federal Electricity Commission is carrying out this massive power expansion program extending over several years and involving an expenditure of $300 million for the years 1965 and 1966 alone. Of this amount, the Mexican Government is providing $155 million and the World Bank $110 million. Canada and other supplier countries have agreed to make bilateral export credit financing available to cover the remaining $35 million.

Under the terms of the agreement signed on October 26th, the Canadian Export Credits Insurance Corporation will provide up to $5 million in long-term Section 21A financing. This will be used to finance one third of export orders for the project won by Canadian suppliers under international competitive tender. The other two thirds will be financed by the World Bank for a potential total of $15 million in Canadian sales. Should business be won by Canadians over this amount, the excess will be financed entirely by the Bank out of its $110 million loan.

Since the countries involved have offered exporter credits totalling more than the $35 million bilateral financing required, the Mexican authorities are able to choose their suppliers on the basis of price and quality. Tenders are called by the Mexican Federal Electricity Commission and contracts must be won in international competition under World Bank procurement rules. Payment for orders placed in Canada will be made by the Mexican authorities who will in turn be reimbursed by the World Bank and the Canadian Export Credits Insurance Corporation.

Canadian participation in this new type of joint financing venture emphasizes Canada's interest both in collaborating with the IBRD and in selling electrical equipment to Mexico and could lead to larger Canadian sales for future programs, possibly on a similar basis of financing. Recently Canada and Mexico also exchanged technical missions to familiarize Mexican power authorities with the wide range of electrical equipment, contracting and engineering services available from Canada. Interested firms will want to follow up these initial contacts with a view to developing further business in this promising field. ●

Canada's Trade with Mexico Changes

As manufacturing in Mexico develops, tariffs and import licensing are used to protect its products. This alters market opportunities but Canadian exporters of highly engineered and other equipment for industry should find this a growing market.

R. A. KILPATRICK, *Assistant Commercial Secretary, Mexico City.*

MEXICO remains one of Canada's most important markets in Latin America. Our exports in 1965 were somewhat smaller than in 1964 (which was an exceptional year) but it appears from figures for the first nine months of last year that for 1966 they will be slightly higher than in 1965.

Mexico's industrial development, its policy of protecting local industry by means of high tariffs and import licensing, and competition from other countries make it increasingly difficult for Canada to sell manufactured goods there. But although the items traded may change, total Canadian exports will probably remain close to their present level for the next few years.

Pattern of Trade

Mexico's industrial development has reached the point where the country is self-sufficient in a wide range of manufactured goods. Virtually all consumer products—such as electrical appliances, clothing and automobiles—are being manufactured domestically. Most local products are protected by high tariffs, which has not always resulted in efficient manufacturing industries. In fact, high local costs because of limited production runs and the high cost of materials have prevented Mexico from exporting many finished products.

The growing industrial base has enabled the country to avoid any substantial increase in the total import bill; in 1965, it was only .06 per cent larger than in 1964. Imports of consumer goods have in fact been reduced but this has been balanced to some extent by an increase in imports of production machinery and raw materials.

Mexico's exports in 1965 totalled \$1.2 billion and its imports totalled \$1.6 billion. The major exports were cotton, coffee, corn, sugar, petroleum and shrimp; the chief imports were automotive parts, production machinery and tractors.

The United States is still Mexico's most important trading partner, taking 62.6 per cent of its exports and supplying 65.7 per cent of its imports (a slight reduction from 1964 when the figures were 67.3 and 68.5). Trade with LAFTA member countries increased but still represents a very small portion of Mexico's total trade. In 1965, 3.6 per cent of Mexico's exports (\$32.2 million) went to LAFTA countries and 1.9 per cent of imports (\$39.5 million) came from them. Within LAFTA, tariffs have been reduced or eliminated on approximately 10,000 different products, but this has not yet had a significant effect on trade. Mexico's trade with the whole LAFTA area is still less than its trade with Canada alone.

Tariff Policy

In 1964 Mexico changed its tariff structure and now uses the Brussels Nomenclature. It has a single-column tariff, with the exception of concessions made to the LAFTA countries on certain products. The list of concessions is impressive but the products covered are often of little consequence in Mexico's trade.

The future of LAFTA is by no means certain because difficulties are arising as tariff negotiations involve products of more importance to the various member countries. The Complementation Agreements envisaged by LAFTA—which would make certain countries sole manufacturers of specific products—have not made as much headway as expected and very few agreements have been concluded. As a Mexican economist recently put it: "Everybody wants to sell and nobody wants to buy."

Although Mexico is not a member of the GATT, Canada and Mexico exchange most-favoured-nation treatment under an agreement signed some 20 years ago. Canada receives the same tariff treatment as all other countries with the exception of members of LAFTA.

Mexico's tariff contains both ad valorem and specific duties based on invoice price or, in some cases, on an official price if it is higher than the invoice price. In addition to paying the duty, it is usually necessary to obtain an import licence if similar goods are manufactured in Mexico. The import licensing system makes it extremely difficult to import products similar to those manufactured domestically because the licence must be approved by a committee which includes representatives of Mexican manufacturers of the product.

A significant part of Mexico's imports has been financed by international lending agencies such as the World Bank. This reduces the protection offered to local manufacturers and enables foreign suppliers to compete for orders. Under World Bank procedures, local manufacturers are normally allowed 15 per cent protection in competition with imported items. (See brief article on World Bank lending to Mexico on page 8.)

Trading with Canada

Canadian exports to Mexico during 1965 were valued at $51.5 million, a drop of approximately $14 million from 1964 when a large sale of locomotives was made. Canada exported more than 300 different items to Mexico but seven items accounted for almost two thirds of the total value.

The major Canadian export to Mexico in 1965, as in the previous year, was again railway rails and track material valued at over $10 million, or approximately 20 per cent of the total. Figures for the first nine months of 1966 indicate that this will once more be the largest single item and prospects appear bright for continuing sales of rails over the next few years. The other leading items were newsprint, plastic and synthetic rubber, automotive parts, asbestos and agricultural machinery. (See Table I.) In 1965, exports of purebred cattle were worth $800,000 and this business could well expand because Mexico is making a determined effort to increase and improve the quality of its livestock.

TABLE I

CANADA'S TRADE WITH MEXICO

	1965 (Can.$million)
Exports to Mexico	
Total Canadian exports	51.0
Main items:	
Newsprint	9.7
Railway rails	8.1
Plastic and synthetic rubber	6.6
Road motor vehicle parts	3.1
Asbestos milled fibres	2.8
Railway track material	2.1
Combine reaper-threshers	1.1
Non-metallic minerals, crude	.8
Cattle, purebred	.8
Aluminum fabricating materials	.7
Card punch machinery, computers, and parts	.7
Medicinal and pharmaceutical products	.6
Wood pulp, bleached sulphite	.6
Wood pulp, sulphite unbleached	.5
Machine tools, metalworking, and parts	.4
Imports from Mexico	
Total Canadian imports	27.4
Main items:	
Tomatoes, fresh	5.6
Raw cotton	4.4
Coffee, green	3.2
Strawberries, frozen	2.1
Fluorspar	1.6
Peanuts, green	1.3
Sisal and agave fibres including waste	1.0
Cantaloupes and muskmelons, fresh	.8
Baler twine	.7
Shrimps and prawns, fresh or frozen	.7
Oranges, mandarines, tangerines, fresh	.7
Pineapple, canned	.4
Melons, fresh	.3
Salt and brine	.3
Gypsum	.2

Source: DBS.

Canada's imports from Mexico in 1965 totalled $27.4 million, an increase of $4 million over 1964. In the first eight months of 1966, Canada imported from Mexico goods worth $27 million and the total for the full year should be higher than in 1965. The trade gap between the two countries is narrowing; Canada's two-to-one advantage in 1964 was reduced in 1965 and will be further cut in 1966. Because some 50,000 Canadian tourists visit Mexico each year, the overall balance for 1966 between the two countries will probably be in Mexico's favour.

Canada's imports from Mexico during 1965 are shown in Table I. The most important items were fresh tomatoes worth $5.6 million, cotton, coffee, strawberries, fluorspar, and peanuts.

Future Prospects

The prospects for increasing Canadian exports to Mexico are not too encouraging. Mexico's high tariffs and import restrictions make it virtually impossible to export products being manufactured in the country. It is also probable that during the next few years Canada will lose two of its most important exports to Mexico because a newsprint mill is to be built which will completely satisfy local demand and production of synthetic rubber will begin early in 1967.

On the other hand, industrial development calls for plant equipment which should provide Canadian manufacturers with opportunities. Manufacturers of highly technical and specialized equipment, as in the telecommunications and electronics field, should also find a market. Unfortunately, Mexico does not consider Canada as a source of sophisticated capital equipment and it will take aggressive promotion to make sales and change the image. It is in highly engineered equipment that our best opportunities lie.

Canada now exports purebred cattle to Mexico. The numbers and quality of local cattle are still considerably below domestic needs and the Government is giving top priority to livestock improvement. Exports of purebred cattle from Canada will probably increase over the next few years.

Mexico is a country of more than 40 million people with an economy growing at an average of more than 6 per cent per year. It is thus an important potential market for certain Canadian products. There are no currency restrictions nor are there problems in converting or transferring currency. On the other hand, the highly protectionist trade policy makes it virtually impossible to compete with local industry.

Canada's exports to Mexico now exceed $50 million and in our opinion should remain at approximately this level, provided that new Canadian exports replace those lost because of the establishment of competing local industry. ●

Dominican Republic

Santo Domingo's gleaming National Palace can be admired from a cool avenue of trees.

- **Austerity program affects business, imports.**
- **Foreign aid to speed development projects.**
- **Elimination of wheat purchases cuts Canadian sales.**

W. ADAIR STEWART, *Commercial Secretary, Santo Domingo.*

AN UNFAVOURABLE TRADE BALANCE and low prices in the world sugar market compounded the difficulties of the struggling economy of the Dominican Republic in 1966. At the same time, United States Agency for International Development (AID) and the Inter-American Development Bank (IADB) assistance, the Government's austerity program, and an increased sugar quota in the United States market helped to provide sufficient support so that the year ended in an atmosphere of guarded optimism.

The economy, particularly the retail sector, was showing signs of contracting by the middle of 1966 as the effects of the austerity program began to be felt. Reduced disposable incomes, smaller imports of consumer goods, and fewer orders for durable goods were reported.

Austerity Program Launched

A program of real belt-tightening austerity, combined with broad plans for the direction of capital into public works projects, was embarked upon by the Government of Dr. Joaquin Balaguer immediately after his inauguration as President on July 1, 1966. Salaries of middle and top-ranking government employees were cut by as much as half and schemes to discourage non-essential imports were put into effect. Christmas bonuses, usually an extra month's pay in December, were abolished by law. Later the Government relented to the extent of allowing the payment of bonuses to those earning $200 a month or less.

In the face of extreme pressure for rental housing, largely caused by the influx of United States and other foreign officials as well as Dominicans returning to the country, controls were established on rents charged on properties valued at $35,000 and under.

Of more direct concern to Canadian importers was the introduction of a requirement that importers deposit 80 per cent of calculated duties and set up a letter of credit before importing a wide range of goods—in fact, more than fifty types of articles which previously accounted for one quarter of the Republic's imports. The Government also extended the law requiring payment of a 15 per cent surcharge on many imported articles. (Details of these regulations and the goods to which they apply are available from the Latin American Division, Dept. of Trade and Commerce.)

Development Projects Stressed

On the more positive side, hundreds of technicians from the United States and other countries have been toiling with Dominican authorities over projects for the development of local industry, particularly agriculture and forestry, with a view to bringing the country out of the red on the strength of its own considerable natural resources.

Funds from the U.S. AID program, about $40 million, will contribute to the 1967 budget of $178 million announced by the Government in late December. This is $6 million higher than last year and the emphasis is heavily on public works projects, which have been allocated $20 million.

Plans have also been announced for the expenditure of nearly $4 million of Inter-American Development Bank funds, mainly for irrigation projects, livestock development, repair of pier facilities at the northern port of Puerto Plata, and improvement of the highway between that city and the inland centre of Santiago.

Allocations of U.S. AID and IADB funds so far announced include: Agricultural Bank $10 million, water resources $3.6 million, Sugar Council $3.0 million, Housing Bank $5.5 million, public works $4.8 million, agriculture $3.0 million, education $2.3 million.

Latest estimates of the country's internal finances show a surplus of $5 million above the original income estimate. Revenues were reported at $44 million, of which the tax on alcoholic beverages produced $20 million and that on tobacco $11.5 million.

Traditional Canadian exports to the Republic increased in the first six months of the year, with the exception of hard wheat for flour milling. This was entirely eliminated because of "tied" purchases with U.S. AID loan funds. Our fish products, principally salted hake and pollock and canned sardines, continued to be an important source of protein for the Dominican diet. Dairy cattle from Canadian herds have become an important factor in the milk supply of the capital city, Santo Domingo, particularly through the new pasteurizing plant "Leche Rica" (rich milk) which offers North American-style homogenized milk in bottles and daily deliveries.

Canadian exporters selling on sight draft have experienced delays of more than two months in receiving payment in dollars because of the country's foreign exchange shortage. Sufficient funds have recently been provided to settle accounts up to the end of September and the Government is striving to eliminate these delays entirely.

Problems in Sugar Industry

Although ambitious hopes for industrial development are being expressed and certain important projects are in planning or under way, the country is an agricultural one, a fact which accounts for the type of most of its production and many of its problems. An estimated 60 per cent of the 3.5 million persons living on its 20,000 square miles depend on agriculture for a livelihood. And from sugar, the principal crop, the country draws half its export earnings each year.

The sugar crop assumed its importance as a result of the policy of the Trujillo Government. This was to swing away from diversified ownership and operation to large specialized holdings in the hands of a relatively few persons. Following the assassination of Trujillo in 1961, the sugar operations under the control of his regime (including 12 grinding mills) were declared public property. Eventually, this management was consolidated under the present "Consejo Estatal del Azucar" (State Sugar Council), the largest single factor in sugar production in the country today. Labor problems and the impracticability of mechanizing the industry have led to serious questioning of its efficiency, particularly for competing on the world market.

Because of its prime importance as a dollar earner in the United States quota market, however, its immediate and near-future status appears assured. Expectations are that sugar sales at the special contract price will continue at $70 million a year or more.

As shown in Table III, the trade deficit was more than $10 million in the January-November period of 1966. Sugar accounted for 60 per cent of export revenue in the January to September period. In October an increase of nearly 10,000 tons in the United States' quota was announced, bringing the total to 596,972 tons for that market.

In view of the rich potential of the Dominican Republic and the plans afoot for its development, Canadian businessmen would do well to keep it in mind as a future, if not current, market for manufactured products and semi-processed materials. What it has to offer as a location for manufacturing or finishing processes could also be worth investigating. ●

TABLE I

WHAT CANADA SELLS TO THE DOMINICAN REPUBLIC

	1965 12 mos.	1965 Jan.-June	1966 Jan.-June
	(Can.$'000)		
Fish, mostly pollock	2,385	872	975
Wheat	552	552	
Wheat flour	831	95	97
Potatoes	128	106	121
Newsprint paper	135	134	154
Aluminum ingots	109	49	90
Copper bars	210	129	187
Truck and car tires	227	84	310
Telephone apparatus equipment	410	403	23
Potassium chloride			193
Total	6,151	3,002	3,052

TABLE II

WHAT CANADA BUYS FROM THE DOMINICAN REPUBLIC

	1965 12 mos.	1965 Jan.-June	1966 Jan.-June
	(Can.$'000)		
Fruits and products, canned	44		55
Raw sugar	529	154	
Molasses	628		
Coffee, green	671	562	153
Infant and junior foods	92	68	
Total	2,050	859	259

TABLE III

DOMINICAN REPUBLIC'S TRADE 1966

	1966 Jan.-Nov.
Total imports	182,700,000
Total exports	172,562,000
Total deficit	10,138,000
	1966 Jan.-Sept.
Main exports	
Sugar	68,786,500
Coffee	19,384,400
Cocoa	10,078,300
Tobacco	8,091,700
Bauxite	1,474,200

Postal Delays in Greece

SERIOUS DELAYS are occurring in the dispatch and delivery of mails at Athens and other main Greek cities due to a series of short strikes and adoption of "Work to Rule" procedures by postal employees. It is reported that delays have now reached twenty days and that they will reach thirty days before long if settlement is not reached. Firms corresponding with Greece should use cable when time is an important factor.

Puerto Rico

- **Tourist trade brought in $132 million last year.**
- **Industrial program flourishing, sugar crop down.**
- **Canadian exports continue a steady rise.**

W. ADAIR STEWART, *Commercial Secretary, Santo Domingo.*

FOR PUERTO RICO, a Caribbean island where spectacular economic progress has become the rule, 1966 was no exception. Although soft spots can naturally be found, the vital sectors of the economy—industrial development, construction and tourism—again set new records by wide margins.

Offering as it does a tropical-isle climate and topography and lavish night life, the country attracts tourists by the hundreds of thousands. Air passengers moving through its airports this year totalled 3.35 million, an increase of 18 per cent over 1965. Although not all of them were tourists bound for Puerto Rico, those who were and others arriving by ship spent $132 million. The increase over last year was $22 million.

According to official sources, tourist registrations during fiscal 1966 were up 13 per cent to 418,440 from 368,892 last year and the percentage of rooms rented in the metropolitan area rose to 77.4 per cent. A government study is now under way, charged with recommending improvements in service and inducements to bring in more visitors.

After an unexcelled year in 1965 when 308 firms were encouraged to invest, the Economic Development Administration claimed a new record last year when 412 new manufacturing firms were set up. Investment in machinery and equipment reached $167 million and about 25,000 new jobs were created. These will increase the yearly payroll by about $70 million.

The construction industry had the best year in its history, with contracts amounting to more than $504 million. Public housing showed the largest increase, rising by 29.5 per cent to $28 million, but private housing was again the biggest segment of the industry at $216 million. In 1965 it accounted for an expenditure of $189 million.

Industry Transforms Country

Government policy has been a vital factor in the development of the economy of Puerto Rico in the last 20 years, during which it has been transformed from an agrarian into an industrial country. After the appointment of the first Puerto Rican Governor by the President of the United States in 1947, Operation Bootstrap, a self-help program of planning and incentives, was undertaken and has continued with unquestioned success. Gross national product of the Commonwealth has increased 10 times over its 1940 level and more than doubled in the last 10 years. Per capita net income has passed $900, more than four times greater than 20 years ago.

As a "Commonwealth", Puerto Rico enjoys a special status within the United States of America. Although it has no direct voice in Congress, its citizens enjoy all the other rights and privileges of their mainland compatriots and their lack of franchise is compensated for by immunity from federal taxes. This immunity applies to corporations and businesses establishing there and has been one of the chief inducements to investment. Corporate taxes are only slightly more than half federal rates. A government statement reports that "profits of new firms in Puerto Rico have been twice as high in relation to equity investment as companies in the same asset-size classes on the U.S. mainland, before taxes," indicating that there are inherent advantages in the economics of an operation here. For other than U.S. entrepreneurs, there is also the attraction of free access to the continental U.S. market for goods produced here.

Some 1966 Problems

A few trouble spots and some uncertainties marred the picture slightly last year. Although commercial and

This well-stocked Mayaguez supermarket exemplifies Puerto Rico's continuing progress.

government bank loans and deposits at the end of the fiscal year were well above 1965—commercial loans were $1.1 billion compared with $958 million—a tightening of the short-term money market near the end caused some concern, particularly in the construction industry. To offset this, the Government instituted a refinancing scheme to provide an additional $65 million in mortgage money.

The sugar industry, once the mainstay of the economy, has been in difficulty for years in trying to compete with the more prosperous and profitable industrial sectors. For the tenth consecutive year it failed to meet its U.S. quota for the crop year 1965-66. The crop was the worst in 21 years and the shortfall of 400,000 tons meant a market loss of $53 million. Among other things, an increasing shortage of cane workers is causing production difficulties. A logical solution appears to be increased mechanization but it has been estimated that only about two thirds of the more than 300,000 acres planted in sugar would be suitable for machine harvesting. As a temporary measure, the Government has voted $3.5 million to the Department of Agriculture for rehabilitation work.

The agricultural industries particularly but also other marginal and service industries would be affected if and when new federal hourly wage legislation is fully implemented in Puerto Rico. The situation is not clear at the moment. However, there is some apprehension that full application of the law might discourage the location of new labour-intensive industries here, lead to layoffs of low-paid employees, and increase the unemployment problem for unskilled and semi-skilled labourers.

The entire business community found itself concerned in one way or another with a bill passed in the legislature during the third week in December which calls for a plebiscite on the island's future political status. The three choices offered next July 23rd will be commonwealth, statehood or independence. Obviously a change from the present status would change sharply the framework within which business and industry now operate.

Understandably, the parent country, the United States, has been the leading participant in the burgeoning trade and industry of the Commonwealth. Mainland capital has provided most of the wherewithal for expansion and "stateside" businessmen are a major force in industry. Trade flows freely in both directions. Manufactured articles of almost endless variety leave Puerto Rican plants for U.S. destinations, some for consumption but many for re-export around the world.

TABLE I

WHAT CANADA SELLS TO PUERTO RICO

	1966 Jan.-June	1965 Jan.-June	1965 12 mons.
		(Can.$'000)	
Fish, mostly codfish	1,757	958	2,283
Oats	77	104	157
Malt	209	303	478
Potatoes	292	1,716	2,160
Dog and cat feed	140	107	280
Whisky	36	36	122
Sealskins raw	....	44	169
Lumber	1,819	1,923	3,760
Woodpulp	138	78	247
Newsprint	1,022	1,196	2,045
Sheet and strip steel	75	782	1,081
Aluminum ingots	582	616	1,827
Copper pipe and tubing	222	200	277
Passenger automobile chassis	554	25	64
Passenger car tires	27	126	246
Washing machines	57	105	192
Insulated wire and cable	129	....	127
Total	8,762	9,471	17,693

TABLE II

WHAT CANADA BUYS FROM PUERTO RICO

	1966 Jan.-June	1965 Jan.-June	1965 12 mons.
		(Can.$'000)	
Pineapples fresh	135	90	133
Molasses	306	....	129
Rum	162	279	842
Diesel and tractor fuel	....	....	355
Fuel oil	....	....	418
Wiring devices and parts	142	51	182
Hospital equipment utensils	208	95	139
Total	1,251	770	2,758

Canada's Sales Rising

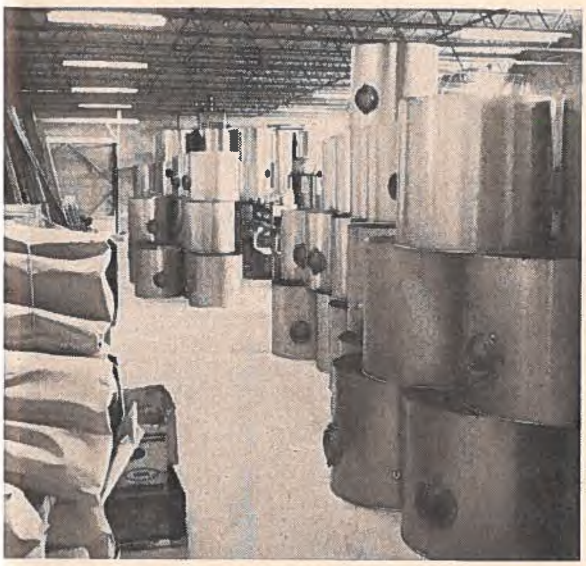
In a lesser but still important way, Canada has also participated in Puerto Rico's expansion. Such institutions as the Royal Bank of Canada and the Bank of Nova Scotia are an established part of the financial scene and a few Canadian companies have set up production facilities. Trade with the island goes far back into history.

The steady rise in Canadian sales in the last three years continued at a faster pace in 1965, when the figure rose to $17.7 million from $14.4 million the year before. Lumber, newsprint, fish, aluminum, potatoes and steel products were the leading commodities.

Preliminary figures for 1966 suggest that the trend is continuing upward with new categories of goods—Canadian-made automobiles, for example—assuming an important place on the list. Companies in Canada which have neglected this area might well investigate the possibilities. ●

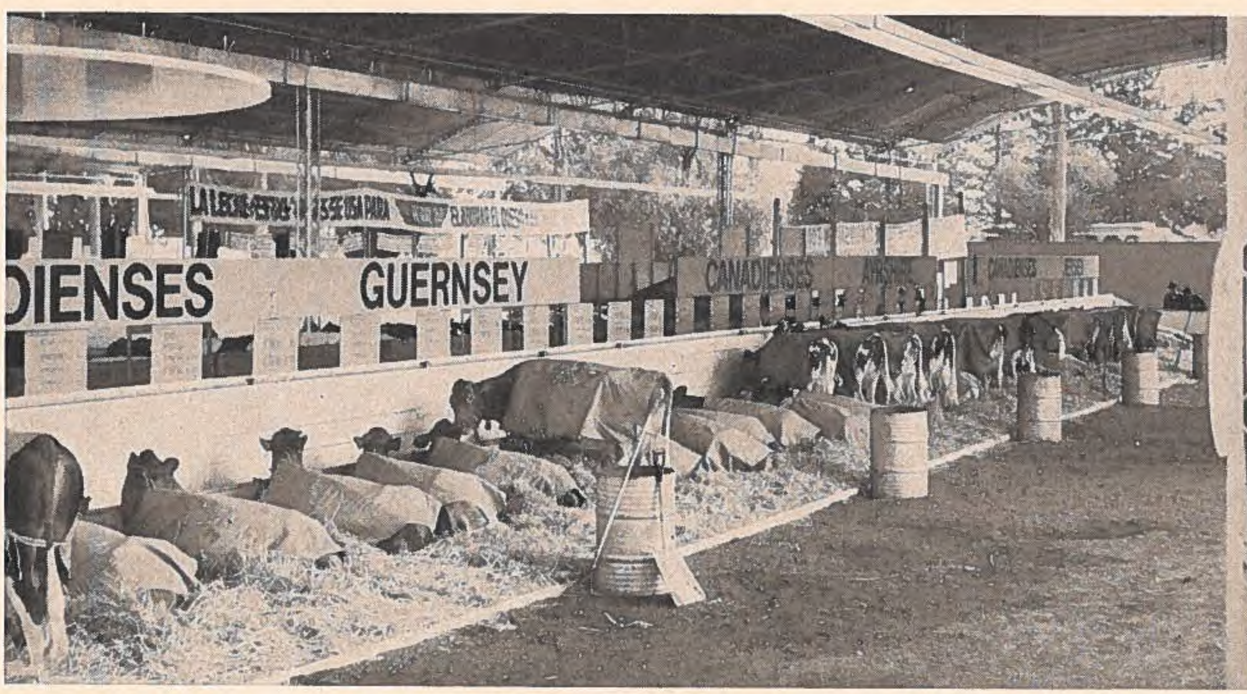
In Guatemala, dockers at Puerto Barrios make ready to unload Canadian newsprint from the hold of "S.S. Fairwind", the first ship of the Canada-Jamaica line to call at a Central American port.

Canada in Foreign Markets



In Costa Rica, these drums made in Berry-Hill's St. Thomas, Ontario, plant will be used for curing tobacco. Expanding business in Central and South America is the result of this company's decision to "get up and go."

In Mexico, dairy cattle from Canada are playing an important role in the Government's livestock improvement plan, designed to help raise incomes in rural areas. The picture shows part of the Canadian exhibit at the Mexican National Livestock Show which was held at Chapingo last year.



"Foreign Trade" recently asked exporters in a number of fields how CACOM would affect their business and what advice they would give to a Canadian manufacturer looking at Central America for the first time. Here are their answers.

The Canadian Businessman Looks at CACOM

MICHAEL A. JOHNSTON,
"Foreign Trade".

THE Central American republics expect the Common Market to give impetus to industrial development and to spread it more evenly through the area. Because the Common Market is starting from a low industrial base, semi-manufactured goods and component parts for its new industries will be imported for some years to come. As one Canadian exporter put it, those of us who are lucky can go on shipping the same goods, just taking them off the production line a bit sooner.

Other manufacturers we talked to were not so happy. They told us that CACOM is already forcing them to think about setting up factories in Central America. This would give them a captive market for some of their exports and put them in a good position to sell complementary products. We were aware of a real sense of urgency: the market is usually too small to support more than one factory of a kind and whoever makes up his mind first gets the market more or less to himself. One Canadian manufacturer, in fact, saw his sales drop to zero before his competitor's plant in Nicaragua was even built.

Manufacturers are not confident that quality and service will always guarantee Canadian products a good share of the market. Once local production has begun, tariff protection will increase and, in any case, the prejudice against locally-made goods is already breaking down. Perhaps the best chance for Canadians is the likelihood that as the standard of living rises demand will run ahead of local production. Meanwhile, exporters are busy looking around for new products to sell in Central America, for there is no fear that the Common Market will become self-sufficient overnight.

Entering the Market

Most of the exporters we talked to relied on the Canadian Trade Commissioner to do the preliminary market survey for them. They briefed him fully on the product they wished to sell, their manufacturing capacity and how they expected exports to fit into their over-all operation. When he reported that the prospects looked encouraging, they made plans to visit Central America and asked him to arrange interviews for them with key people in their trade.

However good the Trade Commissioner's people are, one manufacturer explained, they cannot know the details of everyone's business or be technical on every product. The manufacturer must go himself, meet some of the people who will use his product, and find out their problems and how their process works. On-the-spot investigation often leads to the manufacturer making some modification or putting up a special grade for the market. The whole of his export effort might misfire without the vital knowledge he gains by going to see for himself.

It is important to allow plenty of time for the first visit. The actual number of weeks will depend on the product to be sold, the channels of distribution he will use, and whether he plans to sell in one or two markets or throughout the whole of Central America. As one exporter points out, remember that there are two holidays in every week and the people you want to see may go to the beach or cottage as they do in Canada.

Experienced travellers agree that the best times to visit Central America are late fall and early spring. Your prospects are not easily tempted away to the United States or Europe when they can enjoy the sun and warmth at home. Besides, organizing a new market is strenuous work and escaping from northern snows is a well-deserved bonus.

Fragmentation Creates Problems

Major cities in Central America are well served by air but we were told that the movement of people or goods on the ground was slow. National boundaries have helped to isolate markets and it will take time to build up a good communications network to serve the area as a whole. Exporters find that this fragmentation means that agents operate on a geographical, rather than a trade, basis. You have to be prepared to take on an agent who handles things as diverse as whisky, steel and pet foods if you want to place your newsprint or chemicals. However, the agent's knowledge of local trade and local politics compensates for inexperience with the product.

We asked manufacturers if they found it possible to ship in quantity to a central point and redistribute from there. This was an attractive idea on paper, they said, but many of them had found problems when they tried to put it into practice. Goods with low value/weight ratio could not stand the cost of further handling and transportation for even if wages in Central America are low by Canadian standards, so is productivity. A manufacturer of packaging materials said the limited storage life means that large shipments are only economical if turnover is fast and there is also the problem of stocking many different widths. Shipping direct to customers cuts out the need for local supervision and keeping another set of books. One Canadian manufacturer, however, had found the Colon Free Zone very satisfactory for his product which was simple to store and could stand the cost of air freight within Central America.

The Panic Button

Manufacturers in Central America have a tendency to operate with low stocks. This puts a premium on service and fast delivery, for missing a vessel may shut down a customer's plant. It also provides a means of heading off price competition. However, to win on service, the Canadian exporter must be flexible and really fast because there is a constant procession of ships from his competitor's ports sailing through the Panama Canal, able to land cargo on either coast. In many cases, the only practical way of getting the goods there in time is to transship and have the documents sent direct to the customer or agent. If one follows the textbook, a newsprint exporter told us, one would be rushing around mailing documents in Canada when the vessel had already arrived, for these things always seem to happen at weekends.

Frequent Visits Needed

The Trade Commissioner can put the exporter in touch with potential agents and customers but the exporter has to build up their loyalty and interest in his products. Sales of his product by any one agent may be small and the commission correspondingly small; the agent's other lines may earn him a great deal more money.

We asked a number of exporters how they built up goodwill until the turnover made the commission attractive. Over-lavish entertainment, they said, doesn't always produce more sales and has to come out of the profits, like the commission. Rather, build up the agent's prestige, keep him aware of your existence by regular correspondence, and visit him as often as possible. If the agent is not doing a good job and you have to make a change, use plenty of tact. A chemical manufacturer told us that his company would even withdraw from the market for a time before appointing a new agent. Where everybody in business knows everybody else, he said, it is important to avoid hurting a person's pride.

Visiting customers in Central America is time-consuming and expensive. Visits have to be considered in the light of present profits and the eventual business (it takes several years to build up worthwhile business in most export markets). A large chemical company with a number of manufacturing divisions finds it economical to have representatives servicing all accounts for Central America and the Caribbean working out of one office in Jamaica. Another manufacturer trains his technical sales staff to handle each other's products and to take turns to visit a particular area. There are other ways to provide more personal contacts within the budget, such as short conferences with agents at the airport between flights and inviting customers visiting New York to extend their trip to Canada and come and see the plant.

It is wise, the experienced say, to have a word with an old hand before you plan your itinerary. In some places business is done briskly, in others it is more formal and you must allow more time for each call. Unless you crave a very quiet life, don't end the week in Honduras or Nicaragua. Should this happen, you could celebrate the centennial of Ruben Dario, the Nicaraguan poet whose verse is as charming as his private life was sensational.

Spanish Spoken Here

Because much of the area's trade is with the United States, Central Americans in the export/import business may speak English. The use of Spanish is more courteous and misunderstandings are less likely. An interpreter can bridge the gap, but exporters seriously interested in doing business in Central America will soon find Spanish-speaking staff an asset. Correspondence is best done in Spanish, but good English is better than bad Spanish if a choice has to be made. Exporters sometimes have less difficulty in finding Spanish-speaking staff in Canada to dictate the letters than they do in hiring secretaries able to type them. Where shipping documents are concerned, accuracy is most important.

For business purposes, there is little difference between the Spanish spoken in Central America and any other part of Latin America. The difference between Latin American Spanish and the Spanish of Spain lies in a small number of points of pronunciation and grammar which are readily learned. Advertising copy and direct mail, however, are always best done by someone from the country concerned.

The Next Step

The size of the market seldom warrants setting up a local branch or hiring a sales force to handle Canadian products. We asked several manufacturers how they spent their advertising budget and found that most of it was used to produce pamphlets of a technical kind which were sent to carefully chosen prospects. The trouble about radio advertising in Central America, one well-seasoned traveller said, is that there seems to be so much of it. It is hard to believe that the impact can justify the cost.

Another manufacturer informed us that he was preparing to use selling techniques which had proved to be successful in other countries. We are making some changes to suit the market, he said, but in our field we find that we can train local staff in our methods and they will do a good job. He emphasized that this point had only been reached after years of experience and that success depended on careful selection and thorough training of key members of the team.

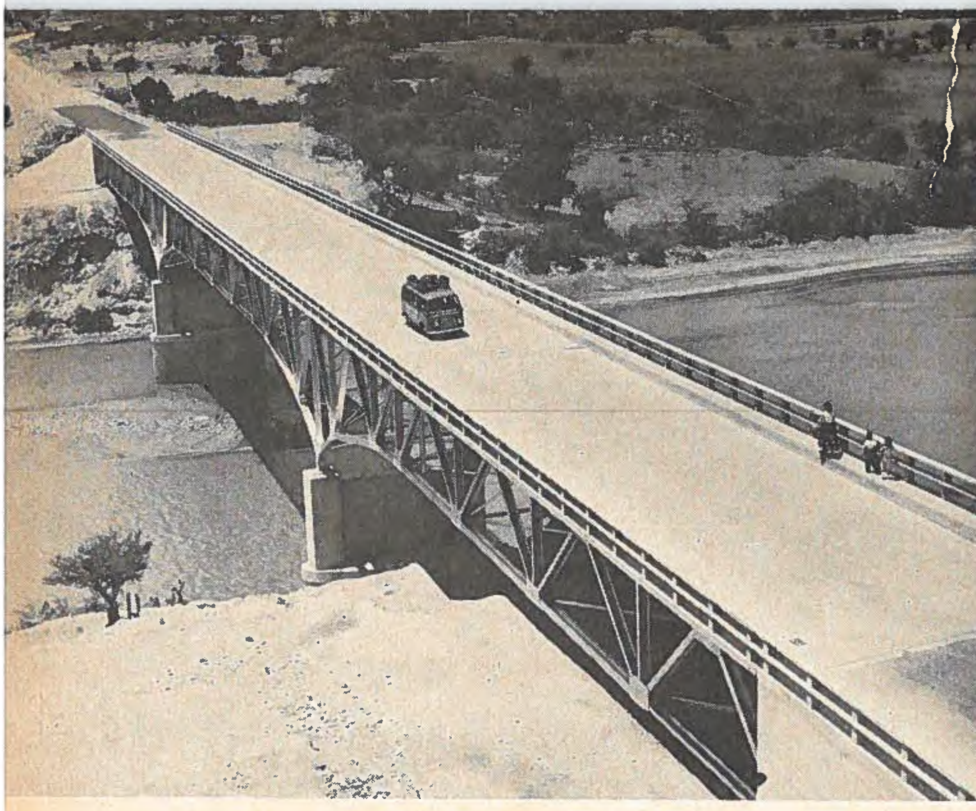
Canadian exporters find Central America a good market at present: there is less protection of local industry than in other parts of Latin America, the economy of the area has been exceptionally stable, and there are few bad debts. "My advice to manufacturers thinking about exporting to Central America," a paper manufacturer said, "is get in now and get established. Soon it will be a buyer's market and then experience will really count." ●

Shipping Services from Canada to Latin America

	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
TO: COSTA RICA	Grace Line (*C. Gardner Johnson Ltd., Vancouver*) Grancolombiana Line (*Balfour Guthrie (Canada) Ltd., Vancouver*) "K" Line (*Johnson Walton Steamship Ltd., Vancouver*)		Grancolombiana Line (*Furness Withy & Co., Ltd., Toronto, Halifax, Saint John; United Liners Agency Limited, Montreal*)
CUBA			Mambisas Line (*Colley Motorships Limited, Montreal*)
DOMINICAN REPUBLIC	"K" Line	Great Lakes Transcaribbean Line (*Protos Shipping Ltd., Toronto*) Saguenay Shipping Limited, (*A. O. Minshall Co. Ltd., Toronto, Hamilton*)	Great Lakes Transcaribbean Line (*Protos Shipping (Quebec) Ltd., Montreal*) Saguenay Shipping Limited (*Saguenay Shipping Limited, Montreal, Halifax; A. O. Minshall Co. Ltd., Toronto, Hamilton*)
EL SALVADOR	Grace Line Grancolombiana Line		Canada Jamaica Line (*Kerr Steamships Ltd., Montreal, Toronto, Halifax, Saint John*) *With transshipment at Puerto Barrios*
GUATEMALA	Grace Line Grancolombiana Line		Canada Jamaica Line
HAITI	"K" Line		Mayhaven Shipping Ltd., (*Jas. S. Ellis & Co. Ltd., Montreal; Shaw Steamships Co. Ltd., Halifax*)

	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
TO: HONDURAS	Grace Line "K" Line		Canada Jamaica Line *With transshipment at Puerto Barrios*
MEXICO	Grace Line Grancolombiana Line Westfal-Larsen Line (*Empire Shipping Co. Ltd., Vancouver*)		Mexicana de Vapores Line (*B & K Shipping Agency, Montreal, Toronto*)
NICARAGUA	Grace Line Grancolombiana Line	N.Y.K. Line (*Transworld Shipping Ltd., Hamilton, Toronto*)	N.Y.K. Line (*Transworld Shipping Ltd., Montreal*)
PANAMA	Grace Line Grancolombiana Line "K" Line North Pacific Coast Line (*Furness Withy & Co. Ltd., Vancouver*) Fern-Ville Caribbean Line (*Dingwall Cotts & Co. Ltd., Vancouver*)		Grancolombiana Line West Coast Line (*Saguenay Shipping Limited Montreal, Halifax; A. O. Minshall Co. Ltd., Toronto, Hamilton*)
PUERTO RICO		Saguenay Shipping Limited Great Lakes Transcaribbean Line	Saguenay Shipping Limited Great Lakes Transcaribbean Line

Last summer, the Geological Survey of Canada presented sets of mineral samples to the Inter-American Institute of the Organization of American States at Turrialba, Costa Rica. The presentation was made to Dr. José Marull (extreme right), Dean and Director of the Training and Research Center, by John H. Nelson, who was at that time Canadian Commercial Secretary in Guatemala City. Mr. Nelson is second from left; looking on are two officers of the Institute who are interested in the Soil Sciences Division.



The growth of trade within Central America and the development of regional communications call for extensive highway improvement. This picture of the Chetumal bridge on the Motagua River in Guatemala gives some idea of progress being made.

Guatemala

- **Industrial output and exports up in 1966.**
- **Ambitious development program under way.**
- **Development projects offer Canadians opportunities.**

R. DOUGLAS SIRRS, *Commercial Secretary, Guatemala City.*

A NEW and constitutionally elected government (July 1, 1966) is seeking a measure of stability that will result in buoyant business and the right climate for development. The task in Guatemala of checking militant left and right wing factions has not been easy and apprehension in some circles has given rise to an outflow of capital. However, these developments, undesirable as they are, can be looked on as growing pains and should not obscure the strong potential that this dynamic country possesses.

Even today, considerable headway has been made. Industrial output is running 10 per cent ahead of 1965 and exports are up by 30 per cent over the comparable first six months of 1965. In fact, it is expected that the year-end figures will reveal a favourable balance of trade (the first since 1960). Exports reached approximately $231 million, mainly because of increased sales of coffee (2.05 million bags) and of cotton (350,000 bales and $45 million or 28 per cent over the previous year). Manufactured goods exported to the CACOM area also added significantly to the export rise.

Even the deficit on current account, an estimated $28 million, is lower than the $50 million of 1965. It is also significant that the deficit results from somewhat abnormal circumstances. This shortfall is expected, however, to be balanced by inflows of capital as foreign investment continues at a reasonable, although slower, pace. The foreign exchange reserves of $79.9 million on June 30, 1966, will be at least partially maintained or augmented because of new measures which call for a 10 per cent tax on the transfer of dividends as well as a 10 per cent increase in income tax. Property taxes have also been substantially increased to provide an estimated additional revenue of $9.8 million. This is expected to be spent on local development, in conjunction with loans being made by international agencies such as the IADB, IBRD, and the U.S. AID program.

Industry Stimulated

New industry in Guatemala received a decided impetus in decree 1615 of October 23, which centralized the application of favoured industry status with the Ministry of Economy. Our experience to date with this Ministry has shown it to be energetic and capable and more than willing to extend all available assistance to potentially interested parties. Evidence of the effectiveness of this scheme is the 17 applications for $4.2 million received in the third quarter of this year versus nine for $2.9 million during a similar period in 1965. Pending applications call for automobile assembly operations, batteries, textiles, insecticides, metal products, folding doors and springs, as well as a chemical plant (products derived from polyvinyl acetate) which is being scheduled for the near future by a German firm.

These developments are particularly significant when we are considering our future relations with CACOM in general and with Guatemala in particular, as well as the need to adjust to changing circumstances. It may be necessary in some instances to consider an association with a local firm or to establish an industry in order to safeguard our position in this market.

Economic Development Program

Canada has already made a substantial impression on the Guatemalan economy. A 13-megawatt hydroelectric power station has just been completed by a Canadian consulting engineering firm and Canadian contractors. Of considerably greater significance, the International Nickel Company of Canada is introducing a $60 million nickel extraction and processing project.

These two ventures place Canada in the Guatemalan limelight and having thus established our skill and reputation, we have a firm base on which to found additional business. Many of the possible projects have been outlined in the Government's ambitious development program announced in September which calls for substantial expenditures over a five year period on:

1. Some 1,764 kilometres of roads to cost $84.5 million, some of which is covered by CABEI and the U.S. AID program.

2. The Jurun-Marinala hydroelectric power project (60 mw.) for completion in 1970-71. This is being considered for World Bank coverage.

3. The Pacific port project at San José valued at approximately $15 million, also seeking World Bank loans. At least nine Canadian consulting engineering firms have expressed an interest and many have already visited the territory to establish contacts and to reiterate their interest in this venture.

4. Public works program to cover penal, hospital, aqueduct and sewage treatment schemes.

5. An evaluation of natural resources (including mapping, census and geological studies).

6. The improvement of some local airfields.

7. An automatic telephone system to link several towns and cities in Guatemala.

8. Educational improvements, crime control reforms, and labour and social legislation. These may offer direct or indirect opportunities to Canadian companies.

9. The agrarian reform program which involves the distribution of government-owned land among the peasants and the formation of more co-operatives.

Since this government assumed power on July 1, 1966, seven loan agreements for a total of $17.7 million have been signed with international agencies and early in December an additional $6 million loan was agreed upon with IADB officials who visited Guatemala City.

The momentum for development has been established and it is thus particularly encouraging to see an increasing number of Canadian firms investing here in recent months—including one company involved in a particularly promising sulphur extraction project.

TABLE I

GUATEMALA'S FOREIGN TRADE

	1964	1965	(7 mos.) 1966
	(U.S. $'000)		
IMPORTS			
Total trade	202,109	228,984	
Of which:			
Common Market	26,357	31,227	
United States	89,885	96,823	
West Germany	22,062	22,024	
Japan	12,089	15,290	
Canada	3,176*	3,701*	2,103,614

Main imports: Machinery, transportation equipment, consumer goods, malt, newsprint, synthetic yarn.

Canada: Wheat, automobiles, fabricated aluminum.

	1964	1965	(7 mos.) 1966
EXPORTS			
Total exports	164,347	185,794	
Of which:			
Common Market	29,558	38,704	
United States	52,954	67,945	
West Germany	26,385	25,444	
Japan	16,649	20,633	
Canada	2,240*	2,663*	1,861,116

Main exports: Coffee, cotton, sugar, meats, vegetables and processed foods.

Canada: Coffee, chicle, cotton linters, metal ores, bananas.

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*Canadian figures are f.o.b. and might be adjusted upwards by approximately 20 per cent to provide estimated c.i.f. value and a more valid comparison with figures for other countries, which are c.i.f. Locally available c.i.f. statistics on Canadian trade show a wide disparity from actual shipments as reflected in DBS statistics.

Trade Prospects

Although progress in exports this year has been heartening, it is expected that there will be a shortfall of between $20-$30 million next year, with smaller exports of coffee and cotton. This might have an adverse effect on imports because of the resulting fall in foreign exchange earnings. Nevertheless, in spite of these possibly adverse factors, this should still be regarded as a good market for a wide variety of items which could be supplied from Canada, ranging from raw materials to sophisticated cobalt beam therapy units. It is certainly an area in which we could do more business, particularly when one realizes that the United States has a 42 per cent share of the local import market and that our standards and products are similar to products from this major source and that we can sometimes offer a better price and/or quality. It is important to know that Guatemalans are well disposed toward Canadian sources of supply and that our efforts are well received.

Table I gives facts on the local export-import trade.

Much of our headway in this area in future (aside from progress with our commodity trade) should be concentrated in the sphere of economic development, as outlined earlier in this report. This office will be pleased to supply information on these schemes and to pursue all inquiries. ●

Honduras

- **Exports rose by one-third in 1965.**
- **Local industry is fast expanding.**
- **Ample funds are forthcoming for development.**

DEAN J. BROWNE, *Assistant Commercial Secretary, Guatemala.*

HONDURAS is now making a determined attempt to catch up economically with the other Central American Republics. The country's GNP rose by 6.5 per cent in 1964, by 10 per cent in 1965, and by a similar amount in 1966. Because of its less developed economy, Honduras had been unable to take advantage of opportunities offered by the Central American Common Market to the same extent as its neighbours. This was recognized by the Central American Economic Council and the Honduran Government has been authorized to grant to qualified industries extra reductions in duties and other fees of up to 20 per cent and tax holidays of up to two years longer than permitted in other member countries. The Central American Bank for Economic Integration will also give Honduras preferential treatment on loans.

Government Encourages Industry

These incentives and the active interest of the Government have done much to attract new industries to the country. Honduran industrial development legislation has recently been amended to give additional benefits to companies exporting their products outside the Central American Common Market area and to provide for greater subsidies for industries considered essential to the development of the country.

The level of industrial investment is thus high and it is estimated that almost 200 firms will be approved for benefits under the Industrial Development Law this year. Most of the industrial expansion is taking place on the north coast in the San Pedro Sula area but the Tegucigalpa area is also benefiting. Modern textile mills have been opened in both Tegucigalpa and San Pedro Sula. A rubber factory, a distillery, a cigar factory to make Havana-type cigars, and a plastics factory are among the many other new industries. The Government also wishes to encourage development of the South Coast and is discussing the possible establishment of a cottonseed plant, a sugar refinery and a sheetglass factory in the San Lorenzo area.

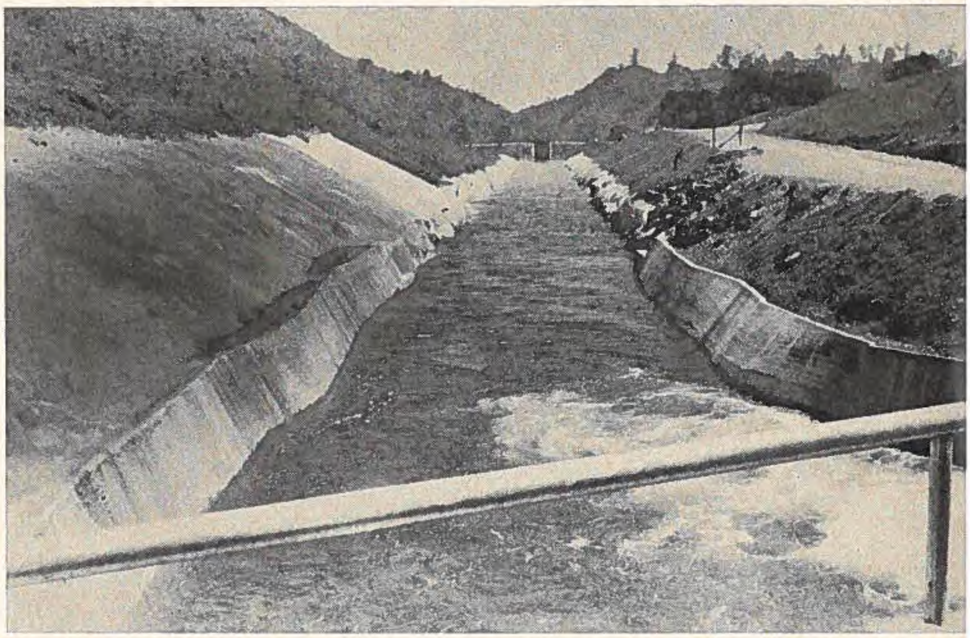
The construction industry is busy but some builders complain of lack of credit and mortgage facilities. Low-cost housing is receiving considerable attention from the Government's Housing Institute (INVA) and the 752-unit Colonia Kennedy public housing project at Tegucigalpa was recently completed. IADB has announced a new loan for the construction of some 2,800 low-income units, most of which will probably also be built in the Tegucigalpa area. Two new hotels are in planning stages.

Major Projects

Government agencies are sponsoring studies of proposals for port developments, for a pulp, paper and lumber industry, and for a steel mill. The recent World Bank loan of $4.8 million will be used to modernize and expand Puerto Cortes and for feasibility studies for port development in other parts of the country. The Atlantic Development Group for Latin America (ADELA)* has been appointed to act as financial agent of the Honduran government in promoting and organizing the pulp, paper and lumber mill project to utilize the huge forest reserves in the Department of Olancho. The proposed steel mill will use magnetite deposits in the Agalteca area and is being planned with Mexican technical assistance.

Other projects include hydroelectric development and long-distance micro-

* A short description of ADELA appeared on page 19 of *Foreign Trade* for December 25, 1965. A more detailed article is being prepared and will be published shortly—Editor.



Power supply is the key to industrialization in Honduras, the least developed of the five Central American republics. The picture shows part of the Rio Lindo hydroelectric project, for which the financing was furnished by the World Bank.

wave communication. Highway construction is also important and work is now in progress on the road between Tegucigalpa and San Pedro Sula.

Agriculture Strengthened

Agriculture is the mainstay of the economy and employs the bulk of the population. Agricultural products, particularly bananas, earn most of the foreign exchange. Banana production in Honduras has increased rapidly in recent years, with exports in the first half of 1966 almost 33 per cent more than in the first half of 1965. The sharp recovery in banana exports from \$28.1 million in 1960 to \$52.2 million in 1965 is mainly due to the change to a disease-resistant variety and to shipment in boxes rather than on the stem.

Production of coffee was slightly lower in the 1965-66 crop year, with exports almost 5 per cent less than in the previous year. To add to the effect of this slump, prices dropped during the crop year. Cotton production was also off slightly.

Attempts to diversify the agricultural base of the economy have met with considerable success. Corn production is increasing and a sizable portion of the crop is being taken by a new local starch manufacturer. Tobacco is becoming increasingly important with the successful cultivation of a Havana-type wrapper and filler and acreage is expanding. Sugar production rose 23 per cent in 1966 and now slightly exceeds domestic consumption.

Foreign Trade

Revised statistics for 1965 show a favourable balance of trade. Imports at \$122 million increased 20 per cent over 1964 and exports increased 36 per cent to \$127 million. Imports of manufactured goods increased 24 per cent over 1964 and accounted for 42 per cent of total Honduran imports in 1965.

The United States still has almost 47 per cent of the market. Exports to CACOM member countries increased by 25 per cent in 1965 and imports from these countries jumped by 42 per cent.

It is difficult to see the trend in 1966 at this time but initial statistics indicate further increases in both exports and imports, with imports increasing faster. If this continues, Honduras may eventually lose its favourable balance-of-trade position. Perhaps for this reason the Government, despite favourable indicators, negotiated a \$10 million standby agreement with the International Monetary Fund for 1966.

Canada Faces Keen Competition

The rapid establishment of new industries producing import substitutes, increased world competition, and the lack of direct shipping services from Canada's East Coast, contributed to the decline in Canada's share of the Honduran market, which fell in 1965 to Can.\$1.10 million compared with Can.\$1.26 million in 1964 and Can. \$1.10 million in 1963. The major items in 1965 were wheat flour (Can. \$153,000), asbestos milled fibres-groups 4 & 5 (Can.\$109,000) and aluminum fabricated materials (Can. \$71,000). Newsprint, industrial chemical specialties and explosives were also exported in significant quantities.

Canada's purchases from Honduras increased by 33 per cent from Can. \$7.67 million in 1964 to Can.\$10.19 million in 1965. As in the past, bananas accounted for almost the entire amount.

It is interesting to note as evidence of the many marketing opportunities offered by the burgeoning Honduran economy that Japan, Spain, Britain and the United States have recently sent trade missions to Honduras.

All of these missions were primarily technical ones and those of Japan, Spain and the United States were sponsored by their respective associations of consulting engineers. The Spanish Government, after its mission left Central America, announced that it would lend some \$11 million to the Central American Bank for Economic Integration. This will be used for technical assistance and the purchase of capital equipment from Spanish manufacturers, but part may also be used for purchases within the CACOM.

Provided that there are no natural disasters in the agricultural sector, the prospects for the future look bright. Increased agricultural and industrial exports, combined with the Government's going ahead with its public investment program, should take the Honduran economy to new heights. Development of natural resources is planned and the balance-of-payments position presents no difficulties at present. In any event, the foreign reserve position is now safeguarded by the large international loans which have been negotiated but not yet used.

All of these developments offer good business opportunities for Canadian manufacturers and engineering consultants willing to study market developments and to follow up, if required, by a personal visit to the area. As in other Central American countries, local industrial development is gradually reducing the demand for some finished goods but it is creating new requirements for raw materials, semi-finished goods and possibly licensing arrangements.

The Trade Commissioners in this territory and the Department of Trade and Commerce in Ottawa keep abreast of trends and will give all possible assistance to Canadian companies interested in capturing a share of this highly competitive market. ●

Expo-Club for Businessmen

MORE THAN 1,300 businessmen from 600 companies have signed up as members of Expo-Club, the meeting place for executives during the 1967 World Exhibition. Expo-Club will be exclusively for businessmen and will have dining rooms and facilities for business conferences. It is part of the International Trade Centre, located on the Exhibition site. The centre, sponsored by the Canadian Bankers' Association, also houses the Business Development Bureau and is the first of its kind ever established at a world exhibition.

Businessmen who use the club and the trade centre will be assisted in establishing contacts with other executives—many of them from foreign countries—by federal and provincial trade representatives. Introductions and appointments with businessmen anywhere in Canada will be arranged. Representatives from the eight chartered banks will be on duty at all times to provide information on financial and economic matters.

One of the main features of the program will be the Maclean-Hunter lecture series, an international forum where well-known business executives and educators will address selected groups.

The membership roll for Expo-Club is still open and applications are being received daily. Inquiries should be addressed to: The Business Development Bureau, Expo 67, Montreal, Canada. ●

El Salvador

- Incentives are speeding industrial growth.
- Poor cotton, coffee crops cut down exports.
- Canadian sales decline slightly.

DEAN J. BROWNE,
Assistant Commercial Secretary, Guatemala City.

THE SALVADOREAN ECONOMY continued to surge forward in 1966, after three consecutive record-breaking years. The rate of growth, however, is slowing down and the economy appears poised on a plateau. Shortly it will enter a period of consolidation and more gradual expansion.

Although it is basically an agricultural economy, industrial development receives considerable emphasis. It is this sector that has contributed most to the 6.3 per cent increase in gross national product in 1965 and to continued growth in 1966.

Salvadoreans enjoy a quiet stroll in the Plaza de la Libertad. Although theirs is still an agricultural economy, the pace of industrialization is today accelerating.

Industries Spring Up

The Salvadorean Law for Industrial Promotion empowers the Ministry of Economy to grant a variety of exemptions from taxes and import duties to new or expanding industries qualifying under the terms of the legislation. In addition, the Salvadorean Industrial Development Institute and a newly formed private development bank, Financiera de Desarrollo e Inversion, are continuing their financial support of industrial development.

With these incentives, the level of industrial investment remains high, although opportunities for investment in new factories producing import substitutes are becoming fewer. During 1965, over 140 applications for benefits under the Industrial Development Law were granted. These planned investments totalled over $25 million and were expected to provide employment for several thousand people. Loans granted by the Industrial Development Institute rose 30 per cent to $5.8 million* in 1965 and loans from the private development bank totalled $900,000. Industrial production increased by 11 per cent in 1965 and has continued to rise in 1966. In addition, during the first five months of last year, 25 applications for benefits under the Industrial Development Law were approved. Outstanding bank credit for industrial purposes was almost 12 per cent higher in August than at the end of this month in 1965.

A substantial portion of recent industrial investment is in textiles but the manufacturing of plastic goods, pharmaceuticals, metal goods and chemicals has also developed considerably. Major investments have recently been made in facilities to produce synthetic textiles, auto ignition accessories, nylon filament, and iron laminations and extrusions. Even service industries are being established and include an equipment leasing company and an intra-Central America trucking firm.

Construction continues at a frantic pace and is one of the mainstays of the economy. Shortages of skilled construction workers are reported and business is excellent for suppliers to this industry. At the end of August 1966, the value of outstanding construction loans extended by the commercial banks was almost 20 per cent higher than at the same time in 1965.

Cotton and Coffee Crops

Although offset partially by the rapid growth of industry and certainly not yet visible at the retail level, El Salvador is beginning to feel with some severity the effects of the current cotton crisis and other agricultural problems. Cotton was formerly a major source of foreign exchange, but cotton farmers have had three consecutive poor crops and present acreage is down 30 to 35 per cent. Prices are depressed and the effect has been particularly bad on local fertilizer and farm equipment distributors, who are faced with bad debts and drastically declining sales.

*Figures in U.S. dollars except where otherwise noted.

Much of this unused land is now being planted in corn and production has increased sharply, with a resulting decline in corn prices and storage problems. Sugar production has also gone up considerably, leaving a large surplus available for export. Fortunately, El Salvador's U.S. sugar quota was recently raised.

Coffee growers are over-producing and the new crop is expected to be a bumper one. At the recent Coffee Conference in London the quota for El Salvador was increased but not enough to cover all of present production. A large surplus is expected, although regulations have recently been isued to provide for the orderly marketing of 70 per cent of the crop.

Major Development Projects

The National Highway Program of El Salvador consists of construction projects totalling approximately 340 kilometres. Early this year, the four-lane section of the Pan American Highway from Santa Tecla to La Cuchilla was opened to traffic. Also completed was the Ahuachapan-El Jobo section of the new Central American Route 8 to Guatemala City. Other projects are in various stages of planning or construction and the Eximbank recently approved a loan of $2.5 million to El Salvador to buy road construction equipment.

After installing the fifth and final generating unit at the 5th of November Dam on the Rio Lempa, the Government's power agency (CEL) has now announced plans to construct new hydroelectric facilities at the Poza El Silencio portion of the Alto Lempa. The generating capacity of the new project will be 250,000 kilowatts and the cost will probably approximate $48 million. Construction is scheduled to begin in 1968. Rural electrification programs are also proceeding on schedule.

The selection of engineering consultants for the Port of Acajutla project is currently in process and work is expected to begin shortly. Canada is providing some of the financing for this.

Trade Gap Widens

Reflecting the declining rate of economic growth, exports increased only 5.1 per cent in 1965 to a record $187 million, compared with an increase of 16.1 per cent in 1964. Imports totalled $201 million in 1965 compared with $191 million in 1964 and for the second year in a row, El Salvador had an unfavourable balance of trade.

During 1966, this trend accelerated and the external position of the country deteriorated considerably during the first half of the year. Compared with the corresponding period in 1965, the value of imports rose nearly twice as fast as that of exports. In fact, during the first eight months of the year imports increased by 12 per cent but exports declined by 4 per cent.

Coming at a time when coffee and cotton exports are normally at their highest, this widening trade gap gives cause for concern. A 34 per cent increase to $46.2 million in the value of exports of "Other Goods" (commodities other than the usual coffee and cotton) over the first eight months of the year failed to compensate for the decline in the value of cotton and coffee.

At the end of August 1966, El Salvador had a trade deficit of approximately $11.5 million compared with a surplus of $6.6 million a year earlier. The resulting decline in foreign exchange reserves compelled the Central Bank to draw $10 million in August from the International Monetary Fund under its $20 million standby arrangement. This drawing was the first since 1961.

In 1965, Canada, Japan and West Germany increased their shares of the market and the United States share declined slightly. Indicative of the successful development of the Central American Common Market was the increased trade with the other member countries. Imports from other members climbed to $42.4 million in 1965 from $39.2 million in the previous year and exports to them went up by 23 per cent.

Trade with Canada Down

Canada's purchases from El Salvador declined 19.6 per cent—from Can. $3.36 million in 1964 to Can.$2.70 million in 1965. As in past years, coffee accounted for over 90 per cent of this total.

Reflecting the rapid expansion of industries manufacturing import substitutes and to some extent the effectiveness of government-imposed credit restrictions and exchange controls, Canada's exports to El Salvador declined slightly from Can.$4.42 million in 1964 to Can.$4.05 million in 1965, compared with an increase of 41.2 per cent from 1963 to 1964. Wheat accounted for $1.42 million of the 1965 total and newsprint for $711,000. Among a wide range of other products, our sales of inedible tallow, malt, asbestos milled fibres (groups 4 & 5), aluminum fabricated materials and upper leather were significant.

Future Trends

Although El Salvador has temporary balance-of-payments difficulties, Central America's smallest but most densely populated republic offers continuing market possibilities for Canadian companies.

The many new industries have growing demands for plant machinery, raw materials and semi-finished goods for further processing. Under existing legislation, imports of these items can frequently be made duty-free for periods of up to ten years and new manufacturers generally plan to expand production sufficiently to meet the demands of the entire Central American Common Market.

Canadian manufacturers who previously exported finished goods to El Salvador and who now find themselves uncompetitive because of high tariffs imposed to protect a new import substitution industry should re-assess their marketing strategy and look for opportunities to supply the local manufacturer. There are also many opportunities for negotiating licensing agreements with local producers.

Hydroelectric, port and other developments create opportunities for Canadian engineering consultants. They should maintain continual contact with local authorities, the international lending agencies, the local Trade Commissioner and the Department of Trade and Commerce.

The market in El Salvador is highly competitive and in a constant state of change, but the Canadian exporter willing to keep abreast of local developments and adopt a flexible marketing policy should succeed in increasing sales and profits.

Nicaragua

- **Country has made striking economic progress.**
- **Competition from U.S., Japan, Germany stiff.**
- **Intensive promotion needed to expand sales.**

R. DOUGLAS SIRRS, *Commercial Secretary, Guatemala City.*

ON A VISIT to Managua, Nicaragua's capital, one cannot help but be impressed by the optimism of its people and the bustle which is evident in many quarters.

Nicaragua as a whole also shows these characteristics, partly as a result of good weather in 1966 which offset the previous year's drought and depressing crop picture but also because of the determination of the Government and the people to push Nicaragua ahead economically. They are perhaps more vitally concerned because they are faced with the challenge of overcoming a serious trade imbalance (U.S.$9 million in 1965) with the CACOM area, (resulting from lack of industrialization). This contrasts with the favourable balance of trade with the outside world, thanks to healthy exports of meat and shrimp and smaller but still important sales of cotton, sugar, bananas and coffee.

Economic Progress

All of the above must, of course, be viewed in the context of the country's striking economic progress to date. Its GNP, for example, has risen by 8 to 10 per cent a year, even taking into account a 3 per cent population growth rate and at least a 5 per cent rate of absolute growth. Gross international exchange reserves total $59.4 million which, in spite of a 15 per cent reduction in the net reserves of $41.4 million at the end of September, still leaves a reasonably healthy margin for accelerated development. Thus a number of projects are under way, many financed from outside sources (such as the IADB, the Eximbank, U.S. AID, IBRD, CABEI, etc.). The newcomer to Managua is perhaps impressed first by the new construction which is advancing at a feverish pace and which in itself indicates an expanding economy.

Industry and Agriculture

Development in Nicaragua cuts a wide swath and existing programs for the advancement of infrastructure, industry and agriculture offer the most stimulating prospects for interested Canadian firms.

Power, for instance, vital to Nicaragua's budding industry, is being emphasized by the government-owned Empresa Nacional de Luz y Fuerza and hydro, thermal and geothermal power stations are in the offing. One well-known Canadian firm of engineering consultants was recently asked to submit a proposal on a 30 mw. coal-fed steam generating plant in Managua, but only after some patient preliminary spadework ranging over two to three years. It is important that an interested party make himself known to the Nicaraguans without becoming unduly impatient over achieving immediate results. Geothermal power, because of volcanic acitivity in the area, perhaps offers particularly interesting prospects. One such project is currently being considered for UN Special Fund aid and a power grid linkup with Costa Rica will be more seriously considered in mid-1967.

Another area of development includes the following ports:

1. Bluefields on the Atlantic (currently covered by a British-French group and the UN Special Fund) in terms of an initial economic and engineering feasibility study.

2. Corinto, the already established major port on the Pacific, which plans $9 to $12 million in improvements over a three-phase period ending in the early 1970's.

Irrigation schemes are also planned and areas such as Maracatoya, Rivas and Tumas have been considered. Ini-

TABLE I

NICARAGUA'S FOREIGN TRADE

IMPORTS	1964	1965	1966
	(millions of U.S.$)		
Total	136.6	160.8	102.8
Of which:			(9 mos.)
Common Market	14.5	21.5	
West Germany	10.5	10.7	
United States	64.9	71.7	
Japan	8.1	11.1	
Canada	2.0*	2.5*	1.7 (8 mos.)

Main items: Machinery, transportation equipment, chemical products, consumer goods.

Canada: Wheat, oats, malt, newsprint, aluminum.

EXPORTS	1964	1965	1966
	(millions of U.S.$)		
Total	125.0	143.3	121.4
Of which:			(9 mos.)
Common Market	7.9	12.0	
West Germany	23.2	12.8	
United States	32.8	32.1	
Japan	28.5	47.6	
Canada	.672*	.228*	1.8 (8 mos.)

Main items: Food products, cotton, coffee, frozen meat.

Canada: Coffee, bananas, oil seeds, shrimp.

*Canadian figures are f.o.b. and might be adjusted upwards approximately 20 per cent to provide estimated c.i.f. value and a more valid comparison with figures for other countries, which are c.i.f. Locally available c.i.f. statistics on Canadian trade show a wide disparity from actual shipments as reflected in DBS statistics.

tial studies suggest that the first two ventures would be rather costly in terms of cost per irrigated hectare unit and thus will probably not be pursued at present. The Tumas project, however, has not yet been adequately studied. Highway development is also being vigorously pursued with IADB, CABEI, or other forms of financial aid.

In the industrial sector, a government-sponsored agency known as INFONAC (Instituto de Fomento Nacional) has been instrumental in fostering private industrial development. Thus $14.3 million is to be invested in increasing the production of tobacco and bananas. This is in keeping with an agricultural diversification program to offset some curtailed exports, as outlined earlier. Foreign aid is also being sought for a PVC mill and a paper mill, based on a 400,000-acre forest reserve. Chemicals, insecticides, a dairy processing plant, a plywood industry, and a refinery are other important new areas of planned industrialization. It may be of passing interest to note that U.S. AID has extended a $5 million loan to assist the Nicaragua Investment Corporation in maintaining economic momentum under the *Alliance for Progress* program.

Foreign Trade

Canada continues to enjoy a favourable balance of trade with Nicaragua, as the accompanying table shows. The main exports and imports are given as a guide to our future participation in this market. The United States holds 47 per cent of the import trade, over three times as much as its closest competitor, the CACOM area. It is precisely this awareness of U.S. product lines, standards and skills which, though it means competition, also gives Canadian firms an advantage over European and other would-be suppliers. A greater Canadian effort will be required, however, because (as clearly shown in the table) Japan, West Germany and Britain have made considerably more impact on this market. As part of their intensive promotion efforts, it is significant to note that the United States, Japan, Spain and Britain sent trade missions to Nicaragua during the latter half of 1966. The Canadian Trade Commissioners in this area stand ready to help enterprising exporters obtain a larger share of this market. ●

Costa Rica

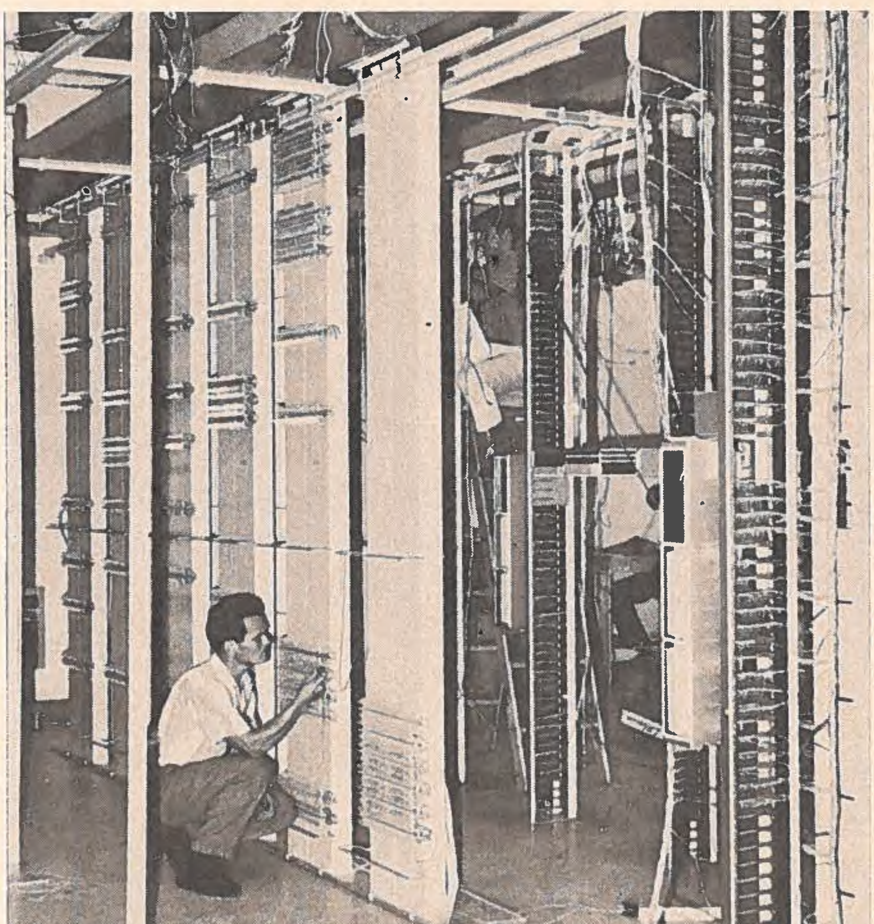
- **Austerity measures taken to solve fiscal problems.**
- **Moderate expansion should continue.**
- **Canadian sales are still expanding.**

P. D. DONOHUE, *Assistant Commercial Secretary, Guatemala City.*

THIS REPUBLIC of almost 1½ million people, having overcome the problems created by the eruption of the volcano Irazú, faces difficulties of a different nature. Continuing development of resources, agriculture, and industry, however, have resulted in further expansion.

For several months fiscal problems arising from deficit financing have overtaken this normally prosperous country. The Government has enacted some measures and proposed others which it hopes will lead to a more solid position.

Most important of these measures is the imposition of a 5 per cent sales tax, an increase in the excise tax on automobiles, and a new excise tax on various other commodities. Prices have



Telephone equipment is one of Canada's main exports to Costa Rica. The picture shows technicians at work on a new installation being financed by the World Bank.

remained reasonably stable because of the tax increases, tight money, and the Government's decision to freeze minimum wages at their present levels—all factors that have lessened demand and checked inflation.

The figures on Costa Rica's foreign trade show the effect of these measures. Exports for the first half of 1966 totalled U.S.$78.5 million* against imports of $79 million, an imbalance of only $500,000. For the same period last year, exports were valued at $65.4 million versus imports of $78.1 million, an imbalance of $12.7 million. Thus, while exports expanded, imports remained close to 1965 levels.

As a further step to bolster the economy, the Government has proposed the de-nationalization of the banks and opening the door to foreign banking institutions.

Foreign Trade

Costa Rica's 1965 exports totalled $111.8 million[1] (f.o.b.) compared with $113.9 million in 1964; over 80 per cent consisted of food products. Coffee alone accounted for $46.6 million and bananas for $28.5 million.

Imports for 1965 reached $178.2 million (c.i.f.) versus $138.6 million for the previous year. The main categories were: all manufactured articles $67.3 million, machinery and transportation equipment $52.0 million, chemicals $31.7 million, and food products $14.0 million.

The United States was Costa Rica's chief supplier, with sales of $71.0 million (40 per cent) followed by the EEC countries with sales of $35.0 million (19 per cent).

Costa Rica's trade with its sister republics within the Central American Common Market totalled $32.9 million in 1965, with exports of $18.2 million and imports of $14.7 million.

Trade with Canada

Sales of Canadian goods to Costa Rica in 1965 totalled $5.4 million[2] compared with $3.8 million in 1964. Indications are that 1966 will be a good year for Canadian exporters; sales for the first six months were $200,000 above those for the same period last year. Five items accounted for over 65 per cent of our sales in 1965—flour $1.9 million, newsprint $765,018, telephone apparatus $366,961, structural and architectural metal products $290,116, and synthetic yarn $230,362. It is interesting to note, however, that the remaining 35 per cent represented over 180 DBS categories.

Costa Rica's sales to Canada in 1965 reached $6.7 million, down from 1964 sales of $8.4 million. Of this, bananas accounted for $4.9 million and coffee for $1.8 million.

Indications are that the Costa Rican economy will continue to expand in 1967. Acreages for both bananas and coffee have been increased. Industrial development continues on the upswing. Through September, the total number of new industry contracts was 176, versus 120 for all of last year. These new contracts represent an investment of over $20 million. Considerable sums will be spent on transportation and water distribution and modernization of the communications system will continue. Sulphur deposits have been located and if the investment required to exploit these finds can be obtained, this will certainly give new impetus to the development already going forward. ●

*All figures in U.S. dollars unless otherwise indicated.

(1) Source: Secretariat for Central American Economic Integration.

(2) Source: DBS, in Canadian dollars.

Currency in South and Central America

A READER SUGGESTED to us recently that it would be useful to publish a list of the currencies for each country, showing singular and plural forms, the abbreviation and how it is used. In this issue we cover South and Central America; in future issues we plan to cover other areas. In some of these countries, as the examples show, the use of commas and periods to mark off digits differs from Canadian practice. The example used throughout would be written in Canada $7,000,000.50 (seven million dollars and fifty cents).

Country	Currency	How Used
Argentina	peso (pesos)	$7.000.000,50
Bolivia	peso (pesos)	Sb.7,000,000.50
Brazil	cruzeiro (cruzeiros)	Cr.$7.000.000,50
Chile	escudo (escudos)	E°7.000.000,50
Colombia	peso (pesos)	$7.000.000,50
Costa Rica	colon (colones)	C.7.000.000,50
Dominican Republic	peso (pesos)	RD$7,000,000.50
Ecuador	sucre (sucres)	S/.7.000.000,50
El Salvador	colon (colones)	C.7.000.000,50
Guatemala	quetzal (quetzales)	Q.7.000.000,50
Honduras	lempira (lempiras)	L.7.000.000,50
Mexico	peso (pesos)	Mex.$7,000,000.50
Nicaragua	cordoba (cordobas)	C.7.000.000,50
Panama	balboa (balboas)*	B.7.000.000,50
Paraguay	guarani (guaranies)	Gs.7.000.000,50
Peru	sol (soles)	S/.7,000,000.50
Uruguay	peso (pesos)	$7.000.000,50
Venezuela	bolivar (bolivares)	Bs.7.000.000,50

* The balboa is produced in coins only; U.S. currency is used for paper money.

Panama

- Record expansion of 1965 should continue.
- Use of Colon Free Zone increasing.
- Canadian exports to area hold steady.

P. D. DONOHUE, *Assistant Commercial Secretary, Guatemala City.*

THE YEAR 1965 was a record one in Panama's continuing growth. The gross national product rose 8.1 per cent to an all-time high of $615 million[1] and there was every indication that 1966 would show a similar increase.

Virtually all sectors of the economy give evidence of dynamic growth. For the first half of 1966, construction starts doubled over the same period of the previous year, which had already set records. Tourism, an important source of income, rose by over 60 per cent after the 1964 lull.

Trade to and from the Colon Free Zone increased by 12 per cent to a new high of $249 million and certain groups in the Panamanian business community are now suggesting that the whole country be made a free zone.

Revenues from traffic through the Panama Canal exceeded $100 million and officials are optimistic that a new agreement with the United States on the existing canal, combined with the construction of a new waterway, will eventually make current revenues appear small by comparison.

Industrial development continued at a steady pace during 1965, with new investments totalling $12 million; the majority were made in the textile industry. The Office of Price Regulations has been given the authority to impose quotas on imported goods which compete with locally made products or with products that will be made by industries to be established in the near future.

Probably the most significant aspect of Panama's economic activity in 1966 is that the country has expressed a desire to join the neighbouring republics in the Central American Common Market. A study carried out under government auspices recommended Panama's entry into the CACOM on a gradual basis and the Government has now requested that negotiations with Common Market authorities be initiated.

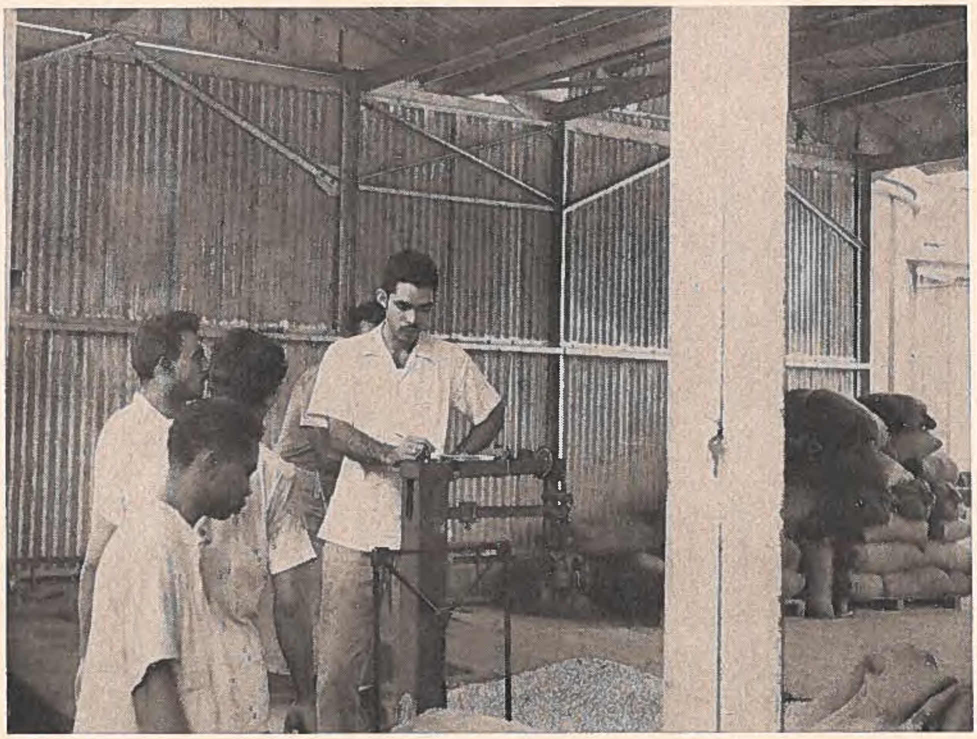
Foreign Trade

Panamanian exports during 1965 rose to $69.0 million[2] from $60.0 million in 1964, an increase of 15 per cent. Of total exports, 91 per cent consisted of two main categories—food products with sales totalling $39.1 million, and fuels and lubricants $23.7 million. The United States was far and away the largest customer with purchases worth $42.1 million.

Panama's imports in 1965 far exceeded its exports and totalled $208.5

[1] All values in U.S. dollars unless otherwise indicated.

[2] Source: Secretariat for Central American Economic Integration.



Panamanian farmers watch an official weigh their grain. Adequate storage facilities provide the first step in improving the marketing of these crops.

million, up from $165.4 million in 1964. The following categories accounted for most of these purchases: manufactured articles (by material) $53.8 million, fuels and lubricants $43.2 million, machinery and transportation equipment $42.9 million, various manufactured articles $23.5 million, food products $20.1 million, and chemicals $19.8 million.

Panama's imports during 1965 came from various sources, but the following six areas were the most significant: United States $88.1 million, Venezuela $39.2 million (mostly crude oil), EEC countries $18.6 million, Japan $10.9 million, Britain $6.8 million, and the Latin America Free Trade Area $6.0 million.

Trade with Canada

Canada was a rather lucrative market in 1965 for Panamanian products, with purchases totalling $19.4 million[3] versus $15.1 million in 1964. Main items were bananas and plantains $8.8 million, fuel oil and motor gasoline $6.8 million, and cortical hormones $1.7 million.

Canadian sales to Panama in 1965 reached $4.6 million, the same as in 1964. With total Panamanian imports up, this indicates a decline in our already small share of the market. Figures for the first six months of 1966, at $2.1 million, indicate no change. Main items of interest were pharmaceutical and veterinary products $1.2 million, newsprint $359,919, auto and truck tires $235,253, oatmeal and rolled oats $203,231.

The opening of a branch of the Bank of London & Montreal in Panama now enables Canadian firms to use banking facilities in Panama which have close connections with Canada.

Outlook for the Future

Throughout 1965 and apparently through 1966, Panama has continued to grow in stature as a trading nation and there is no reason why the trend should not continue. Increased traffic through the Canal, expanded facilities in the Colon Free Zone, and overtures to the CACOM all indicate a bright future for Panama's trade.

Internally, industrial development, increased construction, greater employment and improved transportation and hydro facilities point to an ever expanding market, one to which Canadian exporters should give serious thought. Panama is a dollar market and though it is greatly influenced by the United States, it buys from all parts of the world. Its location in the heart of the Americas makes it a gateway to the countries farther south, and marketing in Panama can be a means of selling to the rest of Latin America. ●

[3] Source: DBS all values in Canadian dollars FOB.

Why Statistics Differ

THE differences in trade statistics issued by different countries have sometimes led to confusion and distrust of statistics in general. Often these differences are in fact easily explained and knowledge of the reasons for them can lead to greater understanding of the figures and of their value to the Canadian businessman and exporter.

From time to time there are substantial differences between the statistics issued by the Dominion Bureau of Statistics and those issued by the statistical bodies of the various Latin American countries. There are a number of causes of these differences and the weight that each one carries varies with each set of statistics.

One factor that influences statistical comparisons is foreign exchange rates. In converting statistics to a single currency, one must be careful to find the most accurate and appropriate exchange rate. Some countries use multiple exchange rates, in others exchange rates fluctuate or deteriorate substantially in a single year, with the result that quick conversions using rough exchange rates can lead to considerable differences in statistics on, for example, foreign trade if these are drawn from two different sources.

Another factor is the basis on which figures are collected. Canadian export statistics are usually listed as f.o.b. (that is, their cost at the port of exit from Canada). This approach is fairly common and most countries list their export figures as f.o.b. port of shipment.

Canadian import statistics are normally expressed as the value as determined for customs duties. This is usually f.o.b. the port of shipment in the country of export. This method of valuation is not widespread; in fact, most countries tend to list their imports at the c.i.f. valuation—that is, the cost of the goods on arrival in the importing country. Thus a foreign country's export statistics are likely to match Canadian import statistics fairly closely, but there may be considerable variation between the Canadian export figures and the figures in the foreign country ostensibly showing the value of imports from Canada. This divergence may increase with the distance from Canada.

A further factor in differences in trade statistics is the routes used to transport goods between countries. The usual statistical method is to attribute imports to the country from which the goods were consigned to the importing country. For exports, the country to which the goods are consigned is usually assumed to be the country of destination. This procedure permits goods which have to pass through other countries in bond, as a result of geography or trade routes, to be attributed correctly to the country of origin or destination as the case may be.

This procedure, however, does not account for goods which may first be sold to a customer in one country and later resold to another in a third country (for example, substantial quantities of bananas and coffee are purchased for Canada in the United States, a country which grows neither). The geographical position of the United States between Canada and the rest of the Americas results in a substantial portion of Canadian trade passing through the United States. The Dominion Bureau of Statistics, in compiling import statistics for goods imported from the Americas, attributes these imports to the country of origin, not the last country from which the goods were consigned to Canada—that is, the United States. Thus Canadian import statistics do indicate accurately the national origin of Latin American imports into Canada.

In contrast, the statistical agencies of the Latin American countries have no method of determining the ultimate destination of their exports consigned to the United States. Because considerable quantities of Latin American exports do reach Canada through purchases from United States entrepots, considerable differences arise between the export statistics issued by the Latin American countries and those issued by the Dominion Bureau of Statistics.

—D. C. KNOWLES,
Latin American Division.

businessman's bookshelf

Latin America—An Economic and Social Geography

J. P. Cole. 468 pages. $13.00.

CANADIAN TRADE with the countries south of the Rio Grande is approaching three-quarters of a billion dollars a year; relations with Cuba and possible membership in the Organization of American States are discussed in Canadian newspapers; many Canadian businessmen, engineers and missionaries live and work in Latin America; the husband of a Canadian recently just missed being elected President of his country—but Latin America is still terra incognita to most Canadians. The source material is partly the problem. Most of the time the choice for information tends to be between hard-cover journalism, which is interesting but unreliable, and scholarly works which intimidate the casual reader.

The book under review falls into neither of these classes. It is a well-written, up-to-date, substantial study of the economic and social geography of Latin America which both helps to explain why Latin America has developed as it has and suggests how it may develop in the future.

It does not set out to list the kinds of rock that make up the Andes, but rather to show the economic and social influence of these mountains: the minerals they produce, the barrier they provide to transportation and communication, the isolation of the Indians who live among the mountain valleys.

The first half of the book is devoted to Latin America as a whole. It considers such subjects as population, history, political institutions, transport, agriculture, mining and industry and explores several fundamental Latin American problems, such as uneven economic and social development, urbanization, the single crop economies, land tenure and agrarian reform. Frequent tables, good line maps, and drawings add to the text.

The last two hundred pages deal with individual countries (Brazil, Venezuela) or groups of countries (Central America; Ecuador, Peru, and Bolivia). An outline of the short chapter on Chile (nine pages) will illustrate the author's approach. After a four-page introduction covering physical geography, population, climate, and economic growth, illustrated by a table and six small maps, he discusses agriculture, forestry, fishing, plus energy, mineral, and industrial development. A final page covers Chilean ports, roads, railways, and foreign trade.

For the businessman planning a visit or interested in Latin American markets, this is a good introduction, especially if time limits him to a single book. For the reader with more time or previous knowledge about the area, it makes some interesting points and suggests many lines for further investigation.

Order from: Butterworth Co. (Canada) Limited, 1367 Danforth Avenue, Toronto 6, Ontario.

Economic Development in Latin America and Institutional Reforms and Social Development Trends in Latin America

John R. Fish. 144 pages. U.S.$8.00

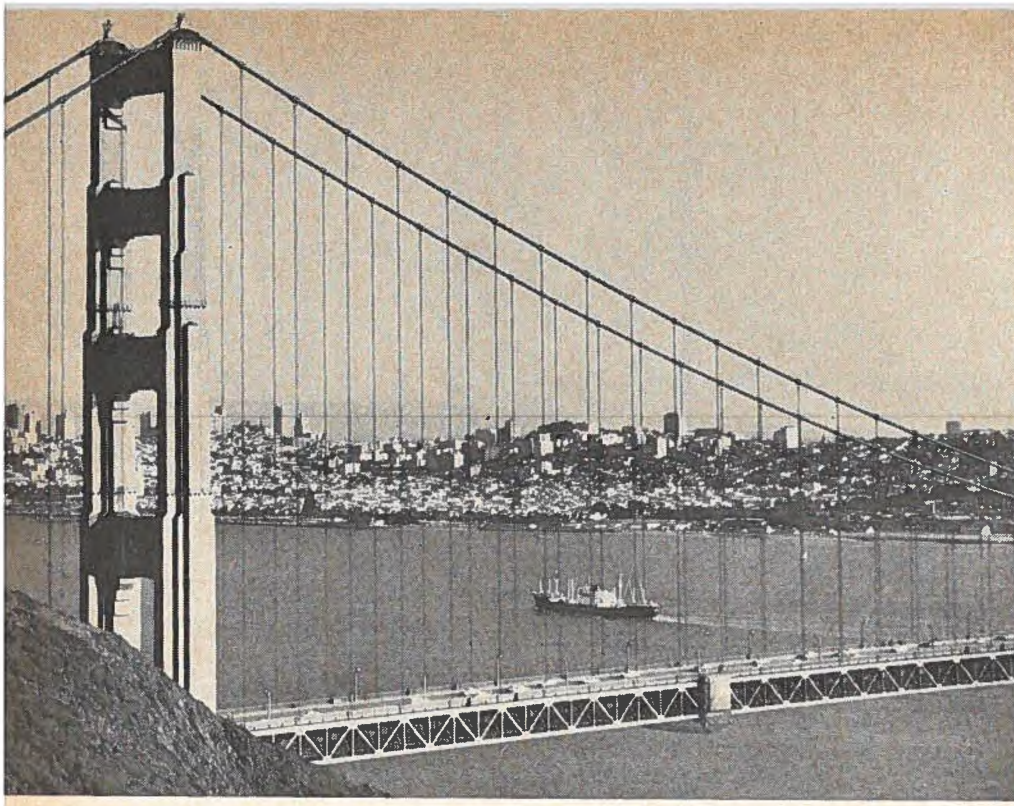
THIS annotated bibliography was prepared primarily to assist Michigan State University staff members in a specific project, the role of food distribution in economic development. Although it will have special appeal for social scientists who are interested in Latin America, it should also prove of some value to that segment of the business world engaged in commercial transactions in this area, and more specifically to food companies who are selling or expect to sell in Latin America.

Mr. Fish's book provides sources of information for three major concerns in a developing economy—agriculture, communications and marketing. Though his choice of material for this bibliography is directed towards the project, his selections have a greater breadth than might be expected. One of the books is *U.S. Army Handbook for Brazil,* one of a series of orientation books on specific countries; it should be useful to the businessman during an initial visit.

Institutional Reforms and Social Development Trends in Latin America, a report by the Inter-American Development Bank, deals with the progress achieved since 1960 and lists projects and measures taken by each Latin America country. This work should be of interest to suppliers of capital equipment. In addition, there are many books dealing with consumption and social patterns which could prove useful to food companies.

In all, there are over 400 texts, some in Spanish, referred to and each reference is accompanied by explanatory notes. Included are pamphlets, reports and speeches as well as books.

Order from: Burns & MacEachern Limited, 82 Railside Road, Don Mills, Ont.



San Francisco Office Opens

Canadians who want to sell in bustling, affluent Northern California or in Colorado, Nevada, Utah and Wyoming can now turn for assistance to Trade Commissioners in San Francisco. The office there was officially opened in temporary quarters last month.

R. M. Dawson

D. S. Baker

ON JANUARY 24, the Minister of Trade and Commerce, the Hon. Robert Winters, officially opened an office of the Trade Commissioner Service in San Francisco. Up to now, trade inquiries and other trade matters have been handled by External Affairs staff at the Consulate General in San Francisco, with the help of occasional visits from the Trade Commissioners in Los Angeles. Now the growing volume of business and the opportunities presented warrant the setting-up of a Trade and Commerce post.

In charge of this office as Consul and Trade Commissioner, is R. M. Dawson. Mr. Dawson, a native of Vancouver who came to the U.S. West Coast after serving as Commercial Secretary in Madrid, Spain, has had postings also in Guatemala and in Manila, Philippines, during his ten years as a Foreign Service Officer.

Assisting him will be Dennis Baker, who entered the Trade Commissioner Service in 1963 and who has just completed two years in Boston, Massachusetts, as Vice Consul and Assistant Trade Commissioner.

The territory that the new office will cover includes all of California except the ten southern counties (which will continue to be served by the Los Angeles office), plus the States of Colorado, Nevada (except Clark County), Utah and Wyoming.

Situated temporarily at 111 Pine Street, San Francisco, the new office now stands ready to assist Canadian exporters to exploit sales opportunities in this broad area. The city of San Francisco is a logical place to station Trade Commissioners, for the following reasons:

1. San Francisco/Oakland is the seventh largest metropolitan area in the United States, according to the *Statistical Abstract* of the U.S. Government. The nine counties bordering on San Francisco Bay have a population of well over four million and this is rapidly increasing. In fact, Northern California expects to have two million more people during the next decade.

2. Income per household in the San Francisco area stands at $10,029. The figures for Reno are $15,634 and Sacramento is not far behind.

3. Retail sales per capita in the area approximate between $1,565 and

$1,641, depending on the statistical source one uses.

4. San Francisco is the financial centre of the West, headquarters for four of the largest banks in the country, nine insurance companies, and approximately 90 large U.S. corporations.

5. The State of California contains 10 per cent of the population of the United States and the yearly rate of growth is 3 per cent, or twice the national average.

6. The port of San Francisco is the largest on the Pacific coast and the San Francisco Customs District (which includes all of northern California, plus Nevada and Utah) ranks first in volume and value of imports and exports on the West Coast.

Market Is Varied

Because the economy of California includes a flourishing agriculture and many types of industries, it offers a market for a wide range of products. Since World War II the emphasis has been on technologically advanced industries. Over 500,000 people are employed, for example, in aerospace industries, including electronics, aircraft, missiles, and instruments. These industries, in fact, provide jobs for one out of every three Californians working in manufacturing plants.

For Canadian producers of consumer goods, this area offers distinct sales possibilities because of the high standard of living and the large disposable incomes. Californians are ready to buy products that offer something a bit different—even at a premium price. These include clothing with distinctive styling, specialty foodstuffs, new types of sporting equipment, or appliances and machines with new features.

In addition, San Francisco has over 200 export merchants who have a network of trading connections throughout the Far East and South America. Through them, Canadian companies could, in many instances, establish markets for their products in overseas countries. The office is already looking into the potential for Canadian products that these agents represent.

The consular territory includes a number of other important cities which also offer sales potential, such as Salt Lake City, Utah, and Denver, Colorado. (For information on these two centres, see *Foreign Trade* article entitled "Six Smaller Markets in the West", in the issue of July 23, 1966). Then there is Hawaii, which imports 50 per cent of the foodstuffs, industrial equipment and consumer goods that it uses. With large tourist revenues and increasing military spending, it has plenty of opportunities which few Canadian exporters have looked into. (See article "Hawaii—for Tourists and Trade" in *Foreign Trade* of August 6, 1966.) Hawaii too is part of the new Office's territory.

Recently a large U.S. bank published an economic study of the State of California. The report concluded: "California's emergence as the most populous state and the expectation of further rapid growth in the years ahead will enhance its position as one of the largest and most dynamic markets in the United States. The production and sales potential offered by the expanding California market present a real challenge to alert investors and distributors." To this should be added "alert exporters" too.

The Department of Trade and Commerce, thanks to the opening of this new office, is in an excellent position to help promote sales of Canadian products in the territory that the Consulate serves. It can study the potential for Canadian exporters, recommend suitable agents, buyers or distributors, and assist in other ways. Canadians who can offer a good quality product, competitively priced, and deliver it promptly should reap rewards here. ●

New Export Control List

A NEW Export Control List will come into force on February 20, 1967. The new List, made by Order in Council P.C. 1967-35 of January 12, 1967, is promulgated in Part II of *The Canada Gazette* of January 25, 1967. A copy of the List may be obtained without charge from the Export and Import Permits Division, Department of Trade and Commerce, Ottawa, on written request.

The Export Control List establishes the authority for control of the export of goods described therein and serves to guide industry in the knowledge of what materials and equipment are not permitted to be exported to destinations named in the Area Control List.

The current revision of the Export Control List corresponds generally with revisions in the Export Control Lists of Britain, the United States, and other countries which adhere to the practice of co-ordinating their basic controls in relation to the export of strategic goods to the Sino-Soviet bloc.

A net reduction of six items is reflected in the new list. Three items have been deleted in their entirety: centrifugal and axial flow compressors or blowers (3380), tankers (ships) designed for speeds of more than 18 knots (4410), and pentaerythritol tetranitrate (6744), an organic chemical. Five other items have disappeared through their incorporation with other items: counter current solvent extractors (3106), incorporated in a new item (8119) describing equipment specially designed for use in processing irradiated nuclear materials to isolate or recover fissionable materials; non-magnetic diesel engines (3255), incorporated with special naval equipment (7009); and three items describing various equipment for the production of electronic components (3360, 3530, and 3566), incorporated into an item describing machinery and equipment for the manufacture of electronic tubes, semi-conductor devices and other electronic equipment and components (3355). Two new items have been added to the list: machinery specially designed for the extrusion of polytetrafluoroethylene (3352) and item 8119, mentioned above.

Fifty-nine items have been amended, in most cases to reduce the scope of control. Many of the amendments are minor in nature and are introduced for purposes of clarification of control coverage. There is a relaxation of control on certain types of gear making or finishing machinery (3088), containers for liquefied gas (3145), communication cable (3526), oscilloscopes (3584), boron (6715), and synthetic lubricants (6781). There are extensive revisions of some items: cipher machines and coding devices (3527), quartz crystals and assemblies (3587), aircraft and aero-engines (4460), polymeric substances (6746), and lithium (8035), in particular. In the aggregate, the scope of the control has been reduced. ●

trade lines

The Spanish Government has approved plans for a five-plant chemical complex to be built by Olin Mathieson Chemical Co. Three of the plants will manufacture 8,000 tons a year of propylene oxide and its derivatives. The other two will produce 5,000 tons of polyester polyols and 4,000 tons of propylene glycol, thus saving an estimated $1.6 million a year in foreign exchange—Madrid.

Construction of the Danube-Oder-Elbe Canal is to be started about 1975 at the latest, according to the head of the Czechoslovak Hydraulic Works Construction Board. If the scheme materializes, Czechoslovakia will enjoy water access from the Danube to the Black, Baltic and North Seas. The cost of the entire project is estimated at 8 billion Crowns (or about Can.$560 million at the tourist rate of exchange), and annual operating costs at about 250 million Crowns (Can.$17.5 million) according to preliminary calculations.

The difference in water level of some 480 feet on the Danube-Oder section of the canal would be solved by the construction of 14 locks for upstream traffic and 6 locks for downstream carriers. The total length of the route on Czechoslovak territory would be about 175 miles and on Polish territory about 30 miles. The system from the Oder to the Elbe (Prerov to Pardubice, Czechoslovakia) would extend some 100 miles over a 670-foot gradient. Upstream traffic could be handled by seven locks and North Sea traffic by five—Vienna.

Motor-car production in Eastern Europe is increasing. In 1965 the U.S.S.R. manufactured 201,200 motor cars, East Germany 102,900, Czechoslovakia 77,700, Yugoslavia 35,900, and Poland 26,400. These figures represent a 55 per cent increase over the 1960 total—Vienna.

Austria produced skis during the first half of 1966 valued at AS240 million (Can.$9.4 million) as against AS180 million (Can.$7.2 million) in the comparable period of 1965. Output of plastic skis rose by 56.7 per cent, metal skis by 47 per cent and wooden skis by 12.13 per cent—Vienna.

The Chilean Government has made public land available near Constitución for the proposed cellulose plant to be built by a local firm. The project, calculated to cost some U.S.$43 million and for which foreign credits have been approved, involves a plant to produce 150,000 tons of kraft cellulose each year. Initial capital of U.S.$15.5 million has been provided by a technical group which will invest U.S.$6 million, ADELA, U.S. $1.5 million, the Development Foundation, U.S.$3 million, and the Chilean Development Corporation (CORFO), U.S.$5 million—Santiago.

Netherlands imported more wine in the first half of 1966—20.3 million litres as against 17.4 million in the corresponding period of the previous year. Sales of strong liquor declined by over 17 per cent, from 12.5 million litres of 100 per cent proof to 10.36 million. The decrease is expected to be 20 per cent for the full year because large quantities were bought at the end of 1965 in anticipation of the price increase—The Hague.

South West Africa is now on the jet route. The new international "J. G. Strijdom" Airport, more popularly known as Ondekaremba Airport, was officially opened at Windhoek recently. This latest addition to the 137 licensed and unlicensed airfields in the territory links it by jet routes with the world via Europe. Windhoek's airport is the only recognized port of entry into South West Africa for foreign aircraft and is already served by South African Airways operating a daily prop-jet flight to and from Johannesburg and Cape Town, and by Dos Transportes Aeros (DTA), a Portuguese Angolan airline, providing a weekly service between Windhoek and Luanda. The major part of South West Africa's air traffic is, however, still carried on by its own internal airlines—Namib Air and its subsidiary, Suidwes Lugdiens—which annually fly 12,000 hours or approximately two million air miles—Cape Town.

Australia's only abestos mine of any size closed down on December 30, 1966. The mine (owned by Australian Blue Asbestos Pty Ltd.) has sustained losses in recent years and this situation was aggravated by the loss of skilled personnel to the huge iron ore extraction operations in the vicinity—Melbourne.

Planning of Bulgaria's nuclear power station has made good progress and the final design is expected to be ready by the end of the year. The 600-megawatt heavy water reactor will be in Vratsa province, near the Danube. The first stage is due for completion in 1972 and full capacity is scheduled for two years later. Annual output should reach between five and six billion kwh. of electric power. Bulgarian experts say that new power needs after 1970 will have to come from nuclear sources because the country's conventional sources will be fully utilized by then—Vienna.

West Germany will build the world's third non-military atom-powered ship. This atomic freighter, the Otto Hahn, is being built at a cost of some $12.5 million for the Corporation for Utilization of Atomic Energy in Shipbuilding and Shipping. This is a consortium made up of the German Federal Government (60 per cent) and the four German maritime states (40 per cent). Euratom is paying about half the cost of the reactor.

The ship should be completed by 1968 and its specifications are as follows: displacement 25,950 tons; capacity 15,000 deadweight tons; turbine output under nuclear power 10,000 shaft horsepower (shp); speed 15.75 knots—Duesseldorf.

Tourism will be developed in Chile with the aid of European countries. Britain will begin the scheme by financing a study of Chile's potentialities for tourists. A Swiss group will open an experimental hoteliers' school for the training of future hotel administrators and staff—Santiago.

Spain's National Industrial Institute (INI) has recently celebrated its 25th anniversary. Created to rebuild Spanish industry after the civil war, INI has had some Can.$1.8 billion invested in it over the years, Can.$454 million of which was directly contributed by the State. INI's 76 enterprises employ a technical staff of 150,000 and include ENSIDESA (steel), IBERIA (airlines), PEGASO (heavy vehicles), SEAT (automobiles) and companies in the chemical, petrochemical, power, mining and paper industries. In the past INI has made an outstanding contribution to Spain's industrial development, but now its role is diminishing somewhat in importance—Madrid.

Austrian pig iron production decreased by 18,000 metric tons to a total of 1.66 million during the first nine months of 1966. Output of crude steel also declined by 24,000 metric tons to 2.4 million. Finished goods in the rolled sector increased by 69,000 metric tons. Exports of rolled iron and steel products reached a record 830,000 metric tons but domestic sales decreased by 11,000 metric tons to 947,000 metric tons—Vienna.

Hungary believes its 1966 potato crop to be a record. Higher yields are attributed to favourable weather and to the use of varieties best suited to each particular region. An average of some 5.1 short tons per acre is expected from the 494,000 acres sown. Hungarian potato varieties are being grown on trial in East European countries, Britain, Holland, and West Germany. Hungary imports part of its seed requirements from East Germany, Poland and Holland. The State controls the supply of seed and the development of new varieties —Vienna.

Better service facilities in Yugoslavia's main centres are expected to boost imports of foreign cars. In 1966, some 20,000 automobiles were imported for payment in local currency. Yugoslavia's largest auto factory also plans to increase production of passenger cars this year from 46,000 to between 52,000 and 54,000 units—Vienna.

Two of Ireland's largest biscuit makers, W. & R. Jacob & Co. Ltd. and Bolands Limited, have merged to form a new company, Irish Biscuits. Most of the new company's flour requirements in the next ten years will be supplied by Bolands mills—Dublin.

U.S. orders for machine tools are softening but in 1966 they exceeded those in 1965. New orders for machine tools declined 2 per cent during October, but orders through the first 10 months of 1966 ran one-third above the same period a year earlier, says the National Machine Tool Builders Association. New orders for machine tools are regarded by some economists as an indicator of future economic conditions. The monthly figures, however, fluctuate widely. Demand for metal-cutting tools has continued so strong this year that the backlog of orders has risen to 11 months, the highest since October 1952. The backlog of orders for metal-forming tools dipped during October to 8.9 months from 9.4 months in September—Chicago.

Brazil and the United States have signed a new fertilizer agreement to provide U.S.$20 million for Brazil to buy fertilizers from the United States. Local currency raised by the sale of these fertilizers will then be used for low-cost loans to farmers who produce non-surplus food crops—Rio de Janeiro.

A white portland cement plant will be built at Irajá, São Paulo, by Cimento Portland Branco do Brasil, with the help of a $4.65 million loan from the Inter-American Development Bank. The plant is expected to be in operation in 1968—São Paulo.

Chile has made the first shipment to Israel of knocked-down fruit crates, part of a two-year, $2.5 million deal between the Citrus Marketing Board and Chilean timber exporters for 15 million crates to pack citrus fruit. The price is reported to be slightly lower than that paid by the Board for boxes from European sources—Tel Aviv.

A British firm will deliver and install a cold rolling mill in Norway. Davy and United Engineering Company Ltd. of Sheffield and Glasgow are under contract to the A/S Alnor Aluminium Company to provide the mill for the latter's aluminum works in West Norway. The mill is scheduled for completion in March 1968. A/S Alnor Aluminium is owned by Norsk Hydro, Oslo, and a U.S. company, Harvey Aluminum—Oslo.

Brazil is to have an oil pipeline running from the port of São Sebastião to the Cubatão refinery. A contract signed by Petrobras, the government-owned oil monopoly, and Nipon Kikan Kaischa, a Japanese steel and pipe company, calls for the construction of a 160-kilometre pipeline with a capacity of 120,000 barrels a day. It will cost U.S.$7.5 million—Rio de Janeiro.

Total sales of furniture in the United States will reach $6.1 billion by 1975, according to the National Association of Furniture Manufacturers. The Midwest will lead with sales of $1.7 billion, followed by the South and East with $1.5 billion each, with the West trailing with sales of $1.4 billion—Chicago.

Canned peeled and pre-cooked potatoes are the latest development in the culinary world in West Germany. The price for a one-kilo tin, at DM 1.15 to DM 1.35, raises the simple potato to the status of the egg. There is also a five-kilo tin for restaurants and institutions—Hamburg.

Chile plans to build an atomic reactor in the province of Antofagasta to produce electricity and distill fresh water from sea water. A spokesman for the Chilean National Nuclear Energy Commission said that the project would be carried out over a five-year period under the auspices of the Chilean Development Corporation—Santiago.

Europe's first polyurethane plant will be built in Spain. The five-plant complex, located at Villareal de Alava, will cost U.S.$33.3 million and will produce mainly flexible polyurethane foam products—Madrid.

West Germany produces 2.5 million kilos of dehydrated vegetables annually, and the industry expects consumption to double by 1970, not only by soup manufacturers, but also by private consumers. The advantages are that no expensive packing or cold storage is required, as is the case with other preserving methods. Nutritionists maintain that dehydrated vegetables equal fresh vegetables in nutritional value—Hamburg.

Chile has a law intended to foster its iron and steel industry currently before its Chamber of Deputies. Incentives designed to stimulate steel production include exemption from customs duties, stamp taxes, and from taxes on dividends and salaries, etc. It is also reported that U.S.$10 million worth of iron ore has been approved for export to the United States and Japan—Santiago.

A large factory to turn out tractors and parts for agriculture and industry will be built in Italy by a Massey-Harris subsidiary. Located 40 miles south of Rome, the plant will cover 20 acres and is planned to begin production in 1968—Rome.

Studies on the setting up of an aircraft factory at Rodelillo in Chile have reached final stages. The aircraft to be built is the six-seater Piper "Cherokee". The machinery for the factory, and the engines and propellors for the aircraft will be imported from the U.S. The remainder will be manufactured locally—Santiago.

Brazil plans to improve and extend the port of Paranaguá in the State of Paraná. Approximately U.S.$10 million is to be spent—dredging (U.S.$3 million), 500 metres of wharves (U.S.$3.5 million), berthing facilities for oil tankers (U.S.$1 million), and grain silos (U.S.$2.5 million)—Sao Paulo.

Burroughs is to build two factories in São Paulo to make calculating machines. The factories, to cost $9.5 million, will result in annual foreign exchange savings of some U.S.$50 million—São Paulo.

Trade Commissioners on Tour

In Territory

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

Cyprus—S. G. Harris, Commercial Secretary in Tel Aviv, Israel, will visit Cyprus February 14-18.

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

Poland—K. Nyenhuis, Commercial Counsellor, and W. R. Hickman, Commercial Counsellor (Agriculture), in Copenhagen, Denmark, will visit Poland February 10-22.

South Africa—H. W. Richardson, Trade Commissioner in Cape Town, will visit Knysna, Southern Cape, February 8 and 9.

D. H. Leavitt, Assistant Trade Commissioner in Cape Town, will visit George and Port Elizabeth, Eastern Cape, January 30–February 10.

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

foreign tariffs and trade regulations

Denmark

CLASSIFICATION AMENDMENTS AND TARIFF REDUCTIONS—Act No. 420 of December 19, 1966, contains amendments to the Danish Customs Act. Included in the changes are the following (the previous rates are in parentheses):

Brussels Nomenclature Position		Products	Customs Tariff Rate
10.06		Rice	
	A.	Rice in the husk, husked rice and broken rice	free (free)
	B.	Other products	5% (10%)
18.03		Cocoa paste (including in block), also defatted	free (20 ore/kg.)
20101		Vegetables and fruit, prepared or preserved by vinegar or acetic acid, also with sugar, salt, spices and mustard added:	
	A.	Chutney	10% (18%)
	B.	Other products	18% (18%)
21.02		Extracts and essences of coffee, tea or maté, products produced on the basis of such extracts and essences:	
	A.	Extracts and essences of tea	free (10%)
	B.	Other products	10% (10%)
41.02		Bovine cattle leather (including buffalo leather) and equine leather, except leather falling under positions 41.06, 41.07 and 41.08:	
	A.	Bovine leather (including buffalo leather) having undergone processes prior to tanning, imported by tanneries for subsequent tanning	free (10%)
	B.	Other products	10% (10%)
		Note to 41.02A: Only applicable on condition that the declarant mentions, in the declaration, the product as having undergone processes prior to tanning and intended for subsequent tanning.	
43.02		Persianer, astrakhan, breitschwanz and similar lamb skins, skins of Indian, Chinese, Mongolian and Tibetan lambs, skins of Arabian, Mongolian and Tibetan goats and kids, as well as squirrel skins; pieces of cuttings of the skins mentioned	free (3%)
73.17	A.	Tubes and pipes with an internal diameter of 145 mm. or less	5% (5%)
73.20	A.	Chill-cast fittings with an internal diameter of 145 mm. or less	5% (5%)
85.11	A.	Furnaces and ovens, as well as apparatus for heat treatment by induction or dialectrically for the metallurgical industry, ceramic industry and glass industry, parts for the above mentioned oven and apparatus	free (free)
90.29	A.	Driving gears with winders or synchronous motor for registering instruments and apparatus; Geiger-Muller tubes	free (free)

The amendments and reductions became effective on December 31, 1966. More detailed information may be obtained from the Office of Trade Relations, Department of Trade and Commerce.

IMPORT LIBERALIZATION—By notification No. 411 of December 15, 1966, the Danish Ministry of Commerce liberalized imports of the following goods, effective January 1, 1967:

Fresh, cooled or frozen plaice, cod and herring

Fresh or cooled asparagus

Dried apples, as well as mixtures of dried fruit with an apple content of over 10 per cent

Chocolate and chocolate products, as well as other foods with cocoa content in blocks of 5 kilograms or more

Boiled ravioli, macaroni, spaghetti and other non-specified food products, except sweet fat (sugar/fat mixtures)

Worked monumental or building stone and articles thereof

More detailed information may be obtained from the Office of Trade Relations, Department of Trade and Commerce.

Finland

NEW IMPORT REGULATION—The Bank of Finland has announced that the following consumer durable goods may no longer be imported duty-free into any free port or bonded warehouse in Finland: refrigerators and deep freezers, washers and dryers, sewing machines and other electric household equipment, radio and television sets, automobiles, motorcycles, photographic and movie equipment, phonographs and tape recorders.

The new regulation is an attempt to limit imports and has already come into force. Only goods in transit are exempt.

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 .93 To convert column two, *divide* by .93.

Country and Currency	Value of: Foreign currency unit in Canadian dollars at Jan. 20	Value of: Canadian dollar in foreign currency units at Jan. 20
Algeria		
Dinar	.2178	4.58
Argentina		
Peso (free)	.0044	232.56
Australia		
Dollar	1.20	.8333
Austria		
Schilling	.0417	23.98
Bahamas		
Dollar	1.053	.9488
Belgium and Luxembourg		
Franc	.0216	46.25
Bermuda		
Pound	3.010	.33
Bolivia		
Peso	.0910	10.98
Brazil		
Cruzeiro (official free)	.0005	2,053.39
Britain		
Pound	3.010	.33
British Honduras		
Dollar	.7525	1.33
Burma		
Kyat	.2265	4.41
Ceylon		
Rupee	.2257	4.43
Chile		
Escudo (brank rate)	.2421	4.13
(free)	.2131	4.69
Colombia[1]		
Peso (intermediate)	.080	12.50
Congo, Republic of[2]		
Franc	.0073	139.50
Costa Rica		
Colon	.1628	6.14
Cuba[3]		
Peso	....	....
Czechoslovakia		
Koruna	.1498	6.67
Denmark		
Krone	.1560	6.40
Dominican Republic		
Peso	1.078	.93
Ecuador		
Sucre (official)	.0600	16.67
(free)	.0545	18.35
El Salvador		
Colon	.4314	2.31
Fiji		
Pound	2.711	.37
Finland		
Markka	.3370	2.97
France, Monaco, etc.[4]		
Franc	.2178	4.58
Franco-African Republics[5]		
Franc	.0044	227.79
French Pacific[6]		
Franc	.0120	82.64
Germany		
D Mark	.2710	3.68
Ghana		
Cedi	1.254	.80
Greece		
Drachma	.0360	27.86
Guatemala		
Quetzal	1.078	.93
Guyana		
Dollar	.6270	1.59
Haiti		
Gourde	.2157	4.63
Honduras		
Lempira	.5392	1.85
Hong Kong		
Dollar	.1881	5.32
Hungary		
Forint (official)	.0921	10.86
Iceland[2]		
Krona (official)	.0251	40.00
India		
Rupee	.1429	7.00
Indonesia[7]		
Rupiah	....	....

Country and Currency	Value of Foreign currency unit in Canadian dollars at Jan. 20	Value of Canadian dollar in foreign currency units at Jan. 20
Iran		
Rial	.0143	69.93
Iraq		
Dinar	3.020	.33
Ireland		
Pound	3.010	.33
Israel		
Pound	.3595	2.78
Italy		
Lira	.0017	581.86
Japan		
Yen	.0030	335.37
Lebanon		
Pound (free)	.3466	2.89
Malaysia		
Dollar	.3523	2.84
Mexico		
Peso	.0863	11.61
Morocco		
Dirham	.2157	4.63
Netherlands		
Florin	.2985	3.35
Netherlands Antilles		
Florin	.5719	1.75
New Zealand		
Pound	2.999	.33
Nicaragua		
Cordoba	.1541	6.49
Nigeria		
Pound	3.010	.33
Norway		
Krone	.1507	6.63
Pakistan		
Rupee	.2257	4.43
Panama		
Balboa	1.078	.92
Paraguay		
Guarani (free)	.0086	116.27
Peru		
Sol (free)	.0402	24.94
Philippines		
Peso (free)	.2765	3.61
Poland		
Zloty (fixed basic rate)	.2700	3.70
Portugal & Colonies[8]		
Escudo	.0375	26.66
Sierra Leone		
Leone	1.505	.66
South Africa		
Rand	1.505	.66
Spain & Dependencies		
Peseta	.0179	55.55
Sweden		
Krona	.2086	4.79
Switzerland		
Franc	.2491	4.01
Syria		
Pound (free)	.2820	3.55
Thailand[2]		
Baht (free)	.0524	19.25
Tunisia		
Dinar	2.065	.48
Turkey		
Lira	.1198	8.35
United Arab Republic		
Pound (official)	2.480	.40
United States		
Dollar	1.078	.93
Uruguay		
Peso (free)	.0142	69.44
Venezuela		
Bolivar (official free)	.2403	4.16
West Indies		
Dollar[9]	.6270	1.59
Pound[10]	3.010	.33
Yugoslavia		
Dinar (official)	.0863	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

NORWAY

Area

125,096 square miles.

Climate

Ranges from —18.3°C. to 26.5°C. Centigrade scale is used.

Population

Total population, 1960 Census, 3,591,234.
Males: 1,789,406 *Females*: 1,801,828.
Estimated population October 1, 1966, 3,763,000.

Households

Total family groups 1,138,987 (1960).
Number of private dwelling units 1,075,145.
Number of private residential dwellings 511,375.
Number of multiple dwellings 124,615.

Income

National income Kr. 38,635 million in 1965; per capita income Kr. 10,377. Average hourly wage Kr. 9.17 (1 Kr. = Can.$0.15).

Bank Accounts

Approximately 5 million; 1.5 million commercial.

Retail Sales

Index value only available (1961=100) 1965=133.

Motor Vehicles

Passenger vehicles 471,597; commercial vehicles 159,888; motorcycles and scooters 188,788.

Telephones

234 telephones per 1,000 persons.

Radio and Television

1,088,769 households have radios and 489,579 have TV receivers (625 lines per picture). Broadcasting facilities are publicly owned.

Water Supply (Oslo)

Safe to drink. Average pressure is 70 pounds per square inch. Hardness (milligrams CaO per litre) 6.6. Mineral content (milligrams per litre): chloride 1.4, phosphate 0.03, nitrate 0.37, manganese 0.05, iron 0.10, sulphate 5.10, potassium 1, ammonia 0.18.

Electric Power

50 cycle A.C. variation + or — 2 per cent. 230 volts, variation + or — 5 per cent. Three-phase system. Cost (domestic and commercial): kr. 0.28 per kilowatt hour. Industrial cost: kr. 0.18 per kilowatt hour. A grounding conductor is required in the electrical cord attached to appliances except those of class II (extra insulators or double insulated appliances). The distribution system does not have a ground wire.

Domestic customers 1.38 million, commercial customers 100,000, industrial customers 20,000. National capacity is 10,000 megawatts. No changes in the distribution system are proposed.

Coal

Anthracite, gas and coking coal, and steam coal are available. Consumption totals 743,000 metric tons. Production: (1965) 455,000 metric tons.

Gas

Manufactured town gas available in Oslo and Bergen. (LPG is delivered in steel bottles or tank-lorries).

Chemical analysis:

CO_2=11.2 per cent	H_2=54.2 per cent
C_nH_m=5.1 per cent	CH_4=8.1 per cent.
O_2=0.0 per cent	N_2=8.5 per cent
CO=11.8 per cent	LVN vapour=1.1 per cent

Production: (index figure only available 1961=100) 1965=64.

Thermal content: Oslo 4,350 kilocalories, Bergen 4,200 kilocalories.
Operating pressure about 100 m.m. water gauge.

Domestic customers: Oslo 8,259, Bergen 13,439.
Cost: Kr. 12.00 per year and Kr. 0.28 per cubic metre up to 3,600 cubic metres and Kr. 0.25 per cubic metre for quantities above this. For heating, Kr. 80.00 per year and Kr. 0.20 per cubic metre.
Consumption is decreasing.

Petroleum Products

All grades of petroleum products are available. Production and reserves figures are classified for defence purposes.

Weights and Measures

Metric system. Land measure, "mål" = 1,000 square metres.

Screw Thread

Metric, Whitworth, North American SAE, UNC small head, UNF. Mostly right hand.

Standards

Official approval is necessary for gas, electrical and other fuel appliances.

Electrical: Norges Elektriske Materiellkontroll (NEMKD)
Gaustadalleen 30,
Blindern,
Oslo 3.

Gas and other: Sprengstoffinspeksjonen.
Drammensveien 158,
Oslo 2.

If undelivered return to:
The Queen's Printer, Ottawa, Canada

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