

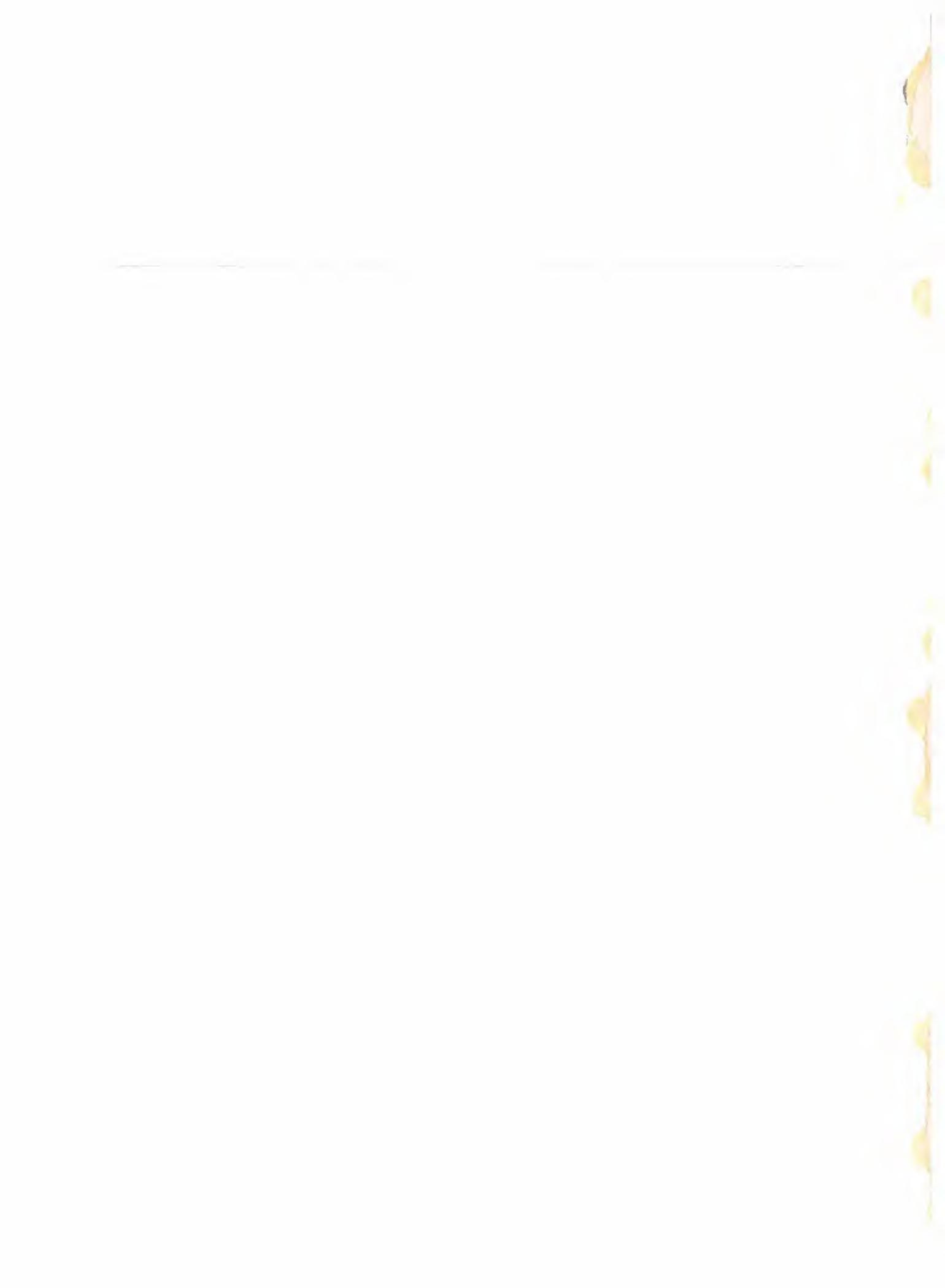
**MAY 11. 68**

# **FOREIGN TRADE**

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA



**Prospects in  
Mexico  
Central America  
Panama**



# FOREIGN TRADE

MAY 11, 1968

Vol. 129 No. 10

*COVER: Proof positive that Canadian equipment sells well in Central America is the maple leaf on the front of this construction tractor, made by Dominion Road Machinery in Goderich. At the wheel is R.D. Sirrs, Commercial Counsellor in Guatemala, and standing at the right is J.S.A. Solvedt, the Assistant Commercial Secretary, with several salesmen of the Guatemalan distributor. Other sales possibilities are discussed in this issue which features not only Central America but also Mexico and Panama.*

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## CACOM Consolidates Its Gains

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*The initial impetus of the Central American Common Market has spent its force. Before the rapid rate of economic progress can be resumed, the area has to build up its infrastructure and tackle some basic problems. Diversification and the development of tourism should mean more business for Canadians.*

## Trade Increasing, Industry Expanding in Central America and Panama

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*Within CACOM trade is increasing steadily, providing a sound basis for local industries. Where once Canada sold finished products, we can now push raw materials and components. Industrialization also creates a market for engineering services, machinery and production knowhow. If you have difficulty in distinguishing the countries in this area, the table on page 4 will help you.*

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## Opportunities in Central America and Panama

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*The total outlay on capital development in Central America from 1965 to 1969 is an estimated U.S. \$1.4 billion and transport will absorb U.S. \$400 million of it. Roads will get the lion's share but very large amounts will be spent on ports (Canada is already working at Acajutla in El Salvador) and on airports and railways. Our expertise in forest industries should also prove an asset.*

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*Last year drought and hurricanes damaged the crops which are Mexico's main source of foreign exchange but things look better for 1968. Canada's sales seem to be levelling off at about U.S. \$50 million, despite changes in the mix of products to match the country's progressive industrialization. The article on page 34 discusses opportunities for licensing and joint ventures in Mexico.*

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**COMING—FISHERIES PRODUCTS REACH MANY MARKETS, MAY 25 ISSUE**



*Head office in Tegucigalpa of the Central American Bank for Economic Integration.*

# CACOM

## Consolidates Its Gains

Seven years of progress augur well for settlement of financial problems facing the CACOM countries. Canada has captured only 2½ per cent of the over-all market but prospects for increasing this are bright.

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

WITH SEVEN YEARS of sound economic progress behind it, the CACOM—composed of Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica—now faces a period of consolidating gains and planning for an orderly forward thrust. The slower pace is understandable because CACOM began with a rudimentary economic base and industrial gains provided a dramatic contrast to the pre-CACOM performance. Today a secondary but long-standing problem persists. Each of the Central American countries continues to depend overwhelmingly on world markets for a few basic products such as coffee, cotton and bananas, which as a group account for 75 per cent of total exports. As a result, their economies are seriously affected by shortfalls in production and lower prices and by quota limitations established by other countries. More significantly, the over-all value of exports continues substantially below that of imports; in 1966, exports reached \$837 million and imports \$943 million.

Like Canada, the Central American countries rely on capital inflows to offset trade or balance-of-payments deficits. But this capital is sensitive in that it responds adversely to political or other actual or threatened internal upheavals. Without enough foreign exchange, the credit of these countries has been over-extended in a number of instances. They have also relied heavily on loans from international organizations such as the IADB, IBRD, UN Development Program and foreign contributions made through the CABEL (Central American Bank for Economic Integration).

### Controls Introduced

The CACOM countries also realize that their internal financial structures must be sound. The payment imbalances of recent months and the decrease in foreign exchange reserves have necessitated controls both externally and within the CACOM group. El Salvador has taken measures to reduce imports, Costa Rica has set up a foreign exchange (import) differential system and a 25 per cent tax to restrict imports to essential goods, Guatemala is controlling foreign exchange for travel, and there are also general credit restrictions on consumer imports. Limits have been imposed on

the convertibility of funds of CACOM members within the area itself. Other measures aimed at controlling imports and encouraging new industry are being considered.

Many development programs have had to be pared and budgetary outlays curtailed. The area's economic growth rate (per capita GNP) has been reduced to 1 to 4 per cent from approximately 5 to 7 per cent in former years. In Guatemala, Honduras and Nicaragua the growth rate has been offset almost entirely by inflationary tendencies and a population increase. The Secretary General of SIECA (the CACOM economic body) estimates that it will take four or five years to emerge from this relatively static situation. Meanwhile, the setbacks should not overshadow the impressive gains made and the good prospects for the future. Now is the time for the exporter to get his foot in the door, even if the initial emphasis is solely on planning.

### Regional Trade Increasing

Trade between the CACOM countries has increased impressively—from \$10.8 million in 1952 to \$176 million in 1966, and \$200 million is predicted for 1970. Manufactured goods (\$125 million in 1966) constituted the bulk of this trade and Guatemala and El Salvador, the most highly industrialized countries, have achieved a major share of it. Last year Guatemala's regional exports totalled \$56 million (roughly one third of the total) and it became the leading trader. In other years El Salvador has enjoyed this distinction. Internal trade restrictions have now been removed on 95 per cent of all goods.

### Industrial Incentives Offered

New industry is the cornerstone of CACOM's development. Since the inception of CACOM, many small or medium-sized companies have been set up, not only in the traditional spheres of activity. Thus, the usual processing plants (coffee roasters, sugar mills, meat packers, vegetable oil producers, etc.) are now part of a larger industrial base which includes the manufacture of tires and ceramics, automobile and bus assembly, the turning out of pharmaceuticals, chemicals and rubber goods, the processing of foodstuffs and non-metallic miner-

als, and fabricating plants. El Salvador and Nicaragua have probably made the greatest gains in industrial production (11 per cent in 1965). Guatemala too has a well-established industrial base.

Annual net foreign investment in the area has increased from \$20 million in 1960 to well over \$100 million in 1966. As industry moves in, import prospects will decline or be eliminated in competing lines. Canadian firms should watch for such developments and consider safeguarding their interests through local investment or comparable measures. Foreign investment is encouraged by each Central American government through special incentives and relief from import duty on machinery and components. There is some variation in the incentives extended by each country and in Honduras, the least developed CACOM member, additional ones are allowed. However, a Convention of Uniform Fiscal Incentives for Industrial Development signed in July 1962 should soon be ratified by all members and provide comparable and uniform protection. All Central American countries encourage local participation in industry but only El Salvador insists on a 51 per cent local control.

Applications for new tariffs to protect a proposed industry are initiated by the Minister of Economy in the individual country and thrashed out by the Economic Council (composed of Ministers of Economy of each member country). The Executive Council (Vice Ministers and other direct or related representatives of the Economic Ministries) do much of the spadework and once the new provisions have been approved by three CACOM members, they take effect in those countries. All CACOM members, however, must approve the new rates before they are fully implemented.

### Infrastructure

Aside from industry and tourism, the area of greatest immediate and future potential for foreign firms is the development of infrastructure. Here formidable programs have been laid out. Public investment plans have spiralled from \$35 million in 1950 to an estimated \$200 million in 1967 and the program calls for \$325 million a year by 1969. Guatemala heads the

list with a projected outlay for development purposes of \$68 million. Individual infrastructure developments—highways, railways, ports, forestry projects, airports, etc.—are discussed in separate articles in this issue.

### External Trade

Exports from CACOM countries consist primarily of agricultural products—coffee, cotton and bananas. These account for roughly 16 per cent of the Central American GNP. Cotton has replaced bananas as the second largest export and others like sugar, beef, pineapple, cocoa beans, rice, beans, corn, flour, etc., are beginning to enter the export picture. Agricultural products today account for approximately 90 per cent of exports outside the area. Imports consist largely of capital equipment, raw materials and consumer goods not made locally, and 40 per cent come from the United States. One survey estimates that "by the early years of the next decade demand for machinery, transport equipment, specialized manufactured goods, chemicals and fuel will approximate \$1 billion—and even this figure might be on the conservative side."

Imports of textile products and fibers, which have accounted for 15 per cent of imports of manufactured goods, will probably decrease with the rise in local manufacturing facilities using cotton and imported synthetic filaments. Metal products should continue to be imported in raw or basic shapes; the proposal for an integrated steel mill is for the long term. Base metals from Canada will continue to be in demand, as will newsprint, although other paper products may be more and more made locally. One quarter of all imports are of machinery and transport equipment—with the U.S. supplying one half of the total. These imports will expand as development continues. Power generating machinery and telecommunications equipment are needed but they are often tied to aid sources.

### Canada's Role

Canada's exports to the CACOM area have been adversely affected by local industrial development (flour milling) and austerity measures (automobiles). In other areas (wheat, newsprint and basic raw materials)

our sales have expanded, and this trend will continue because of CACOM's forward strides, our competitive prices and the long-term need for materials for industry. However, we only enjoy approximately 2½ per cent of the \$950 million CACOM import market and sell only about 200 different items to this area.

At present, the significant consumer market in a population of 12.7 million is small—perhaps 20 per cent. This situation is changing with more edu-

cation, moves to the cities, and the employment offered by new industry. Thus, the estimated per capita income of \$280 a year can be expected to increase steadily. The population is also growing by 3.2 per cent a year and should reach 20 million by 1975. Even bearing in mind the competitive factors outlined earlier, Canadians should plan for a significantly larger share of the market. This office will be pleased to provide further data on specific ventures and areas of interest.



## Trade Increasing, Industry Expanding in Central America and Panama

|                                | <b>Guatemala</b>           | <b>Costa Rica</b>        | <b>El Salvador</b>       | <b>Honduras</b>              | <b>Nicaragua</b>                 | <b>Panama</b>                  |
|--------------------------------|----------------------------|--------------------------|--------------------------|------------------------------|----------------------------------|--------------------------------|
| <b>Area</b>                    | 42,042 sq. miles           | 23,000 sq. miles         | 7,722 sq. miles          | 43,277 sq. miles             | 57,145 sq. miles                 | 28,753 sq. miles               |
| <b>Population</b>              | 4.3 million                | 1.5 million              | 3.7 million              | 2.2 million                  | 1.65 million                     | 1.25 million                   |
| <b>Capital</b>                 | Guatemala City             | San José                 | San Salvador             | Tegucigalpa                  | Managua                          | Panama City                    |
| <b>Income per capita</b>       | \$293                      | \$350                    | \$236                    | \$208.5                      | \$292                            | \$548                          |
| <b>Industrial production</b>   | \$213 million              | —                        | —                        | \$82.7 million               | —                                | \$108.1 million                |
| <b>Agricultural production</b> | \$411 million              | —                        | —                        | \$205.2 million              | —                                | \$138 million                  |
| <b>Exchange reserves</b>       | \$70 million               | \$25.7 million           | \$48 million             | \$15.5 million (net, 1967)   | \$46.5 million (June 1967)       | n.a.                           |
| <b>Exports</b>                 | \$226 million              | \$135.5 million          | \$189 million            | \$150.0 million              | \$142.2 million (1966)           | \$78.6 million                 |
| <b>Imports</b>                 | \$208 million              | \$184.5 million          | \$220 million            | \$155.7 million              | U.S. \$181.6 million (1966)      | \$234.8 million                |
| <b>Main markets</b>            | U.S., Germany, El Salvador | U.S., Germany, Nicaragua | U.S., Germany, Guatemala | U.S., Germany, El Salvador   | U.S., Japan, Germany             | U.S., Canada, Japan            |
| <b>Main suppliers</b>          | U.S., El Salvador, Germany | U.S., Germany, Japan     | U.S., Guatemala, Germany | U.S., El Salvador, Guatemala | U.S., Germany, Costa Rica, Japan | U.S., Venezuela, Japan, Canada |
| <b>Currency</b>                | Quetzal                    | Colon                    | Colon                    | Lempira                      | Cordoba                          | Balboa                         |
| <b>Canada buys*</b>            | \$2.5 million              | \$7.3 million            | \$2.0 million            | \$11.7 million               | \$1.9 million                    | \$14.8 million                 |
| <b>Canada sells*</b>           | \$2.9 million              | \$4.2 million            | \$4.5 million            | \$1.1 million                | \$2.8 million                    | \$4.7 million                  |

\*DBS figures, 1967

Canadian exports to: \$2.9 million (1967)

Canadian imports from: \$2.5 million (1967)

Opportunities: engineering services, related equipment, grains

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

IT MAY COME as a surprise to many that Canadians are involved in widespread and sometimes unusual activities in Guatemala. Some are teaching the descendants of the Mayans how to write their own language as a step towards literacy and the ultimate learning of Spanish. Others, perhaps the majority, are dedicated to useful missionary work. Still others are here with UN agencies or with Canadian mining interests. But although we Canadians are contributing to social and economic development here, we are still largely operating on the periphery when it comes to exploiting the economic potential, partly due to lack of knowledge about Central America. Perhaps the reports in this issue will encourage other Canadians to investigate this market and the development prospects.

The economic picture in Guatemala is not bright. The GNP increased in 1967 only 3.4 per cent (well below 1966) for a total of some \$1.4 billion. However, a constitutionally elected government is now well established in office and the country has strong potential resources, plus the determination to succeed. The current recession is providing Guatemalans with an opportunity to reassess development priorities and generally map out a sound long-term economic program. A strong resurgence of economic activity is generally expected in 1969 or 1970.

#### **Current Slowdown**

The economy suffered a downturn towards the middle of last year. Foreign exchange earnings were then down by 20 per cent. A shortfall in coffee sales (with a 600,000-bag carryover and lower prices) and cotton exports—the main sources of foreign exchange—together with a continued, although curtailed, exodus of capital were the causes of this. Guatemala's Minister of Economy reported net

reserves of \$26.9 million\* and gross reserves of approximately \$70 million towards the end of 1967, between \$6 to \$10 million lower than last year's figures, even allowing for \$10 million in standby credit from the IMF.

Export earnings were declining, but imports continued high. Under these circumstances, the Government was compelled to consider measures to counter the reported \$75.6 million deficit on current account in 1967. Direct import controls have not yet been established but an attempt was made early in January to introduce measures to achieve the same result. A 20 per cent surtax on luxury goods (including automobiles, pleasure craft, radios, etc.) and a 5 per cent tax on services and less essential foodstuffs were introduced on January 2, 1968. The public outcry was so great that the measures were rescinded but a stamp tax of 1½ per cent was reintroduced as a stopgap. Alternative measures to bring imports more closely into balance with exports, to pare government expenditures, and to concentrate on crucial needs and development projects are being considered. These austerity measures are supported by tight credit control and restrictions on credit for imports by the Bank of Guatemala. These have already reduced consumer purchasing power and will continue to depress imports.

#### **Government Budget Cut**

Faced with a national debt of Q192.4 million at the end of 1967 (1966—Q147 million) and reduced earnings, the Government has decided to reduce expenditures to the extent of Q20 million. As a result, several oncoming projects will have to be pared or cancelled. The original 1968

\*Taking into account foreign obligations over a three year period.

# Guatemala

budget on the project side called for the following general programs which, although subject to some adjustment in view of the austerity measures, provide general guidelines:

|                         | (thousands of quetzals) |
|-------------------------|-------------------------|
| Low-cost housing        | 5,500                   |
| Power                   | 11,600                  |
| Waterworks              | 3,000                   |
| Agrarian reform         | 1,400                   |
| Petén development       | 1,450                   |
| Schools                 | 2,800                   |
| Irrigation              | 2,500                   |
| El Rancho-Cobán highway | 5,200                   |
| Inter-American highway  | 2,800                   |
| Other highways          | 6,000                   |
| Trunk roads             | 4,700                   |
| Agricultural credits    | 2,000                   |

Over Q25.6 million of the above has been assigned to the Ministry of Communications and Public Works.

### International Aid

Guatemala has succeeded in securing \$54 million in economic development loans from international agencies, a part of which will be applied during 1968 (involving power facilities, highways, feeder roads, rural water systems, etc.). The 60 mw. Jurun-Marinala hydroelectric scheme with backup thermal stations

is, thanks to a \$15 million World Bank loan, under way. The \$6 million expansion of the state-owned port on the Caribbean (Matías de Gálvez) is also continuing, supported by an EXIMBANK loan. AID of the U.S. has also extended a \$5 million loan for a \$6.25 million private development bank. Some of these ventures will be tied to specific foreign sources, but there is plenty of scope for manoeuvre in other areas.

### Major Development Areas

The Guatemalan Government is also emphasizing a free enterprise program. Existing tax and import concessions to new industry have already resulted in a private investment program calling for \$200 million in expenditures (\$130 million in nickel, \$50 million in sulphur, \$25 million in manufacturing).

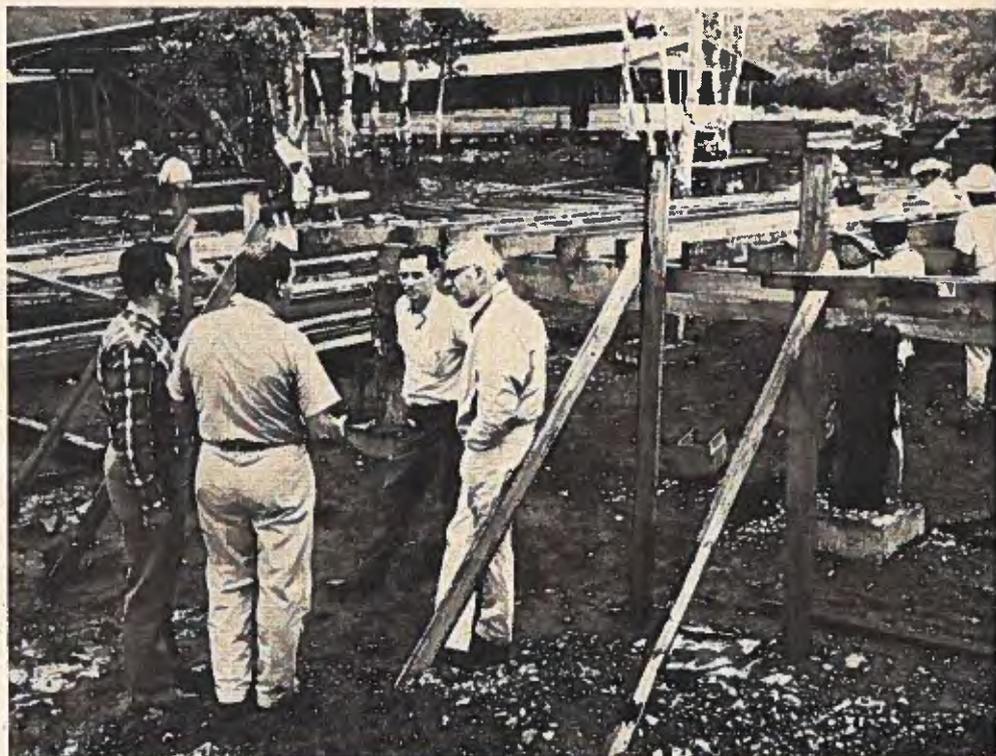
**Mineral Wealth**—Big strides will undoubtedly be made in mining because of the substantial mineral resources. The major mining operation with work well under way but with the final "go ahead" subject to further negotiation is the \$130 million (up from \$60 million) International Nickel Company of Canada project. This involves the extraction of nickel from

laterite ores in the vicinity of Lake Izabal, and the processing before export. Other interests, including International Helium of Canada, are involved in sulphur extraction ventures. Additional minerals (talc and copper) are also in an active stage of development and/or exploration. Five oil exploration concessions were awarded to large international oil companies in December of last year. Four of these firms are operating on the Pacific and one on the Atlantic side of Guatemala, with a projected initial investment of one million quetzals.

**Forestry**—The Petén area of Guatemala also offers significant forestry opportunities. Plans are going forward to exploit the 21 billion net board feet reserves of hardwood (mahogany), cedar and pine. This would allow for \$100 million in exports of basic or manufactured lumber products. (See article on page 19.)

**Tourism**—Guatemala's spectacular scenery, historic Mayan sites and colorful Indian life are certainly one of its chief but neglected assets. A new tourism law passed in 1967 allows tax concessions for hotels and related services and has already prompted three of the major U.S.

At the site of the \$130 million INCO project at El Estor on Lake Izabal, Guatemala, the Canadian Ambassador to Guatemala, S. F. Rae, (right) inspects workers' bunkhouses going up there. On the left is R. Douglas Sirrs, the Canadian Commercial Counsellor in Guatemala City. Nickel is to be extracted from laterite ores.



hotel chains (Sheraton, Intercontinental, Hilton) to plan facilities here. Tourist promotion efforts will undoubtedly succeed and this will be a new and significant source of revenue. Despite existing terrorism, this country had 165,098 visitors and earned Q11.7 million from them in 1967 as opposed to 139,307 tourists and Q9.9 million in 1966. Plans are to double the 1967 figure this year.

**Industry**—Industrial incentives continue to be applied as a means of attracting industry although there was little progress made last year. Industry in Guatemala consists primarily of small firms processing agricultural products (coffee roasters, sugar mills, meat packers, vegetable oil preservers, etc.). Tires, pharmaceuticals and stoves are also made and buses assembled. Total foreign investment in Guatemala approximates \$117.4 million, with the U.S. in first place. Panama, Mexico, Switzerland, Venezuela and Canada follow, in that order. In 1967 Guatemala's relatively strong industrial posture put her in first place in regional CACOM trade with 36 per cent of the total. Actually Guatemala's regional (export-import) trade has increased from Q1.5 million twelve years ago to Q56 million—a third of over-all CACOM trade.

### Canadian Opportunities

**Commodities**—Canadian exports to Guatemala, which consist primarily of raw materials or essential goods (wheat, newsprint, paper, asbestos, copper, chemicals, aluminum) should not be measurably affected by moves to curtail imports. Every effort will be made to ensure the continued access of primary goods in view of local development needs. Most of these products (such as wheat, our major export) will sell largely on quality and price; in fact, the high quality and price of wheat during 1966-67 resulted in smaller sales here for that period. However, these picked up substantially in the last quarter of 1967 and our 1968 performance should be much better. Malt is another important Canadian export to Guatemala (with wheat, it accounts for almost half of our total exports to this country). Chemicals, newsprint, printing paper, tissue, asbestos, non-ferrous metals make up most of the difference.

**Other Products**—and we sell close to 200 different ones in this area—are

### CANADA—GUATEMALA TRADE 1967

(Cdn.\$'000)

| We Bought       |       | We Sold                |       |
|-----------------|-------|------------------------|-------|
| Total imports   | 2,484 | Total exports          | 2,921 |
| Coffee, green   | 1,835 | Zinc blocks            | 355   |
| Molasses        | 225   | Newsprint              | 324   |
| Cotton          | 86    | Sheet & strip steel    | 157   |
| Chicle          | 71    | Malt                   | 251   |
| Oilseeds        | 28    | Wood pulp              | 102   |
| Mahogany        | 26    | Asbestos milled fibers | 86    |
| Bananas         | 64    | Wrapping paper         | 79    |
| Spices          | 11    | Plastic film           | 85    |
| Coffee, instant | 5     | Insulated cable & wire | 52    |
| Shrimp          | 2     | Wheat flour            | 39    |
|                 |       | Mining machinery       | 110   |
|                 |       | Passenger cars         | 44    |

Source: DBS

more likely to be affected by any direct or indirect import restrictions. Automobiles are a case in point. Since a 5 per cent tax surtax was imposed on cars early last year, over-all sales including Canadian (also curtailed by tariffs and internal credit restrictions) were down to 60 per cent of 1966 imports.

More sophisticated products will have to be promoted aggressively against foreign competition and to the extent allowed by any newly imposed controls. The market is restricted because per capita income is only \$293 and the top consumer element represents some 10 per cent of the population.

**Engineering and Related Equipment**—The area which offers the most mid- and long-term promise is engineering services and the supply of related equipment. This area is emphasized in the Government's capital development budget and the one which will, hopefully, revitalize the economy. Canadians have already acquired experience here, supplying aerial photography and engineering and contracting services for the 13 mw. Los Esclavos hydroelectric power project. This office was approached, either by correspondence or through direct visits, by approximately 70 Canadian engineering companies during the course of last year and a handful of firms have made particularly strong promotion approaches to the appropriate government agencies. Imaginative introductory and follow-up efforts are needed to compete against firmly entrenched foreign firms. Local government agencies are often reluct-

ant to break away from companies with which they have established a fruitful working relationship. In fact, the criterion for prequalification is often actual experience in the Central American area, so acquiring that meaningful first job is vital. An Austrian (Verbund Plan) and a French (Sofrelec) engineering group are now each doing a free feasibility study (valued at \$80,000 each) for the mammoth 400 mw. Atitlán hydroelectric power project. These firms undoubtedly hope to obtain future orders for engineering and equipment supply.

Among the opportunities are an internal microwave communication system (valued at approximately \$8 to \$10 million) and this is already being pursued by one of Canada's leading communications companies. A Pacific port project (approximately Q25 million) is still under study. The port of Champerico may serve as an alternative site and this matter is currently in the hands of the World Bank. The Atitlán power project (also to be subject to international and perhaps World Bank financing) is another area which affords opportunities for engineering design and supervision and equipment supply. Firms in a position to participate in tourism development might also play a part here. These and other ventures are being discussed in separate articles in this or future issues. We would be pleased to provide additional information and to extend all possible assistance; this is a vital and potentially promising area of activity.



# Honduras

Canadian exports to: \$1.1 million (1967)

Canadian imports from: \$11.7 million (1967)

Opportunities: semi-manufactured goods and components

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

HONDURAS, despite its position at the center of the rapidly industrializing Central American Common Market (CACOM), is still predominantly a country of rural people. The average population density is only 20.3 persons per square kilometer (the lowest in the Isthmus) and 73.6 per cent are officially classified as rural, the highest percentage in Central America.

Tegucigalpa and Comayaguela, which form the Distrito Central, have a combined population of some 200,000 and are growing at the rate of about 6 per cent each year. Tegucigalpa is one of the few capital cities in the world not served by a railroad—air services have been crucial in the development of commerce and in maintaining communications with the rest of the country and the outside world. Work is beginning now on a paved highway to link the capital with San Pedro Sula and the coastal area.

San Pedro Sula is the industrial capital of Honduras. It has a population of over 110,000 and is growing at the rate of 10 per cent a year. La Ceiba, the country's third largest city, is also on the north coast.

## Efforts to Industrialize

The GNP increased rapidly for several years, reaching a peak growth rate of almost 10 per cent in 1965. Considerable progress was made in catching up economically with the other Central American republics. Since 1965, however, the growth rate has fallen sharply; in 1966 the increase at current prices was 4 per cent and the latest estimate for 1967 is 1.4 per cent. A drop in banana and coffee exports and a reduction in capital expenditures are largely responsible for the decline in 1967. Another reason is



—IFC Photo

This leather tannery near San Pedro Sula, Honduras, was built with the aid of funds from the International Finance Corporation. Many of the factories established in Honduras benefit from tax exemptions and import privileges under current legislation.

that imports continue to increase faster than exports.

More generous incentives for new industries than those offered by other Central American republics are, however, attracting considerable industrial investment, particularly on the north coast. Tax exemptions and duty-free import privileges under the Honduras Industrial Development Law benefit the new factories which turn out such diverse products as shoe soles, paints, textiles, alcohol, pharmaceuticals and industrial gases. Texaco is building an \$8 million refinery at Puerto Cortes which will commence production this

year. Polymer Industrial, a subsidiary of Polymer International, has just moved into a new factory producing a variety of plastic products.

In the past two years, three of the largest U.S. banks—First National City Bank of New York, Bank of America and Chase Manhattan Bank—have gained control of the majority of Honduran banking operations. The Banco de Ahorro Hondureño is the one remaining private Honduran Bank.

Financiera Hondureña, a private development bank financed by private and AID funds, was established in San Pedro Sula in 1964. It makes

loans for new businesses and actively promotes new development, particularly joint ventures. In 1966, Fomento e Inversiones SA was founded by the Banco Atlántida to make equity or risk investments.

The construction industry continues to be busy, although credit and mortgage facilities remain tight. The Government's Housing Institute (INVA) emphasizes low-cost housing; AID and the Inter-American Development Bank recently approved two new housing loans of U.S.\$1.65 and U.S.\$2.27 million for projects on the north coast. Ground has already been broken for the construction of a 125-room hotel in San Pedro Sula and plans are also under way for a new hotel in Tegucigalpa.

The development of the fishing and shrimp industry shows promise. Tuna canning has begun at La Ceiba, shrimp freezing at Guanaja and Roatán, and there are other fish plants at Trujillo. The UN and Central American Governments have set up a \$5 million budget for a Central American Fisheries Development Project extending over five or six years.

### Public Investment Lags

Economic advances have so far been almost exclusively due to investment by the private sector. The declining rate of growth is believed to be partly the result of inadequate public spending on vitally needed infrastructure. Many people feel that private investors are holding off until the Government shows a more dynamic approach. Capital outlays in 1967 compared with 1966 dropped sharply, possibly by as much as 16 per cent (final figures are not available). It was recently claimed that the Government spent only 55.2 per cent of its 1966 investment budget and in the first four months of 1967 only 7.4 per cent.

The President has taken charge of the Ministry of Communications and Public Works and has recently issued instructions to expedite capital outlays and curb public spending on projects not directly related to economic development. He also instructed the Central Bank to adopt a more realistic monetary policy—interpreted to mean expanding the money supply (which has remained unchanged since May 1966) plus credit expansion on a selective basis.

**Roads**—Major administrative delays held up road construction projects totalling 60 per cent of 1967 budgeted capital outlay but substantial disbursements are now beginning. The Northern Highway will reduce travelling time between San Pedro Sula and Tegucigalpa from eighteen hours to four. Honduras needs modern roads badly. Of its 2,170 miles of roads only 236 are paved. (See article on page 25.)

**Ports**—Facilities have long proved inadequate for the increased volume of exports, particularly bananas. The World Bank in 1966 approved a loan of U.S.\$4.8 million to assist in financing a U.S.\$8 million project to modernize and expand Puerto Cortes. Other studies are also under way. (See article on page 22.)

**Electricity**—Faced with a 30 per cent annual increase in electrical energy consumption, particularly on the north coast, the Government is preparing to develop the country's 1,000 mw. hydro potential. It has advanced plans to complete the second stage of the Rio Lindo power project and is already purchasing additional diesel generators.

**Natural Resources**—ADELA is helping to finance a U.S.\$71 million pulp and paper development. The Government is also waiting for final feasibility reports on a proposed steel mill and a glass plant which would utilize local raw materials. Seven oil companies have leased the entire Caribbean coastline, including the Bay Islands; other companies are exploring the western part of the country and the Pacific offshore areas. Silver, gold, lead and zinc are mined in Honduras and exported to the United States. Cadmium, mercury and lime are also extracted.

### Agriculture's Performance Patchy

Agricultural production in 1967 was disappointing. Coffee exports are expected to be down almost 30 per cent from 1966 and to fall short of the present International Coffee Organization quota; they will be nowhere near the higher quota which had been requested. Banana exports also seem unlikely to achieve the predicted 10 per cent increase in 1967. Cotton production dropped 8 per cent and exports of chilled and frozen beef in the second quarter of 1967 were down

almost 18 per cent. On the brighter side, tobacco production and exports were high and the 1967 sugar crop was excellent.

Efforts to diversify agriculture have had considerable success. Cotton, lumber, corn, beans and cattle earned 24 per cent of Honduras' foreign exchange in 1965, compared with only 14 per cent in 1956. The United Fruit Company is now growing African oil palms and raising cattle as well as growing bananas. The Standard Fruit Company has many acres of pineapples, grapefruit and other citrus which do well on the north coast. In co-operation with the Dole Pineapple Company, the Standard Fruit Company has planted the largest Hawaiian-type pineapple seedbed in the world as an experiment.

Livestock raising has become an important business. Farmers and the Government are busy improving stock. The National Development Bank initiates regularly the purchase of improved breeding stock.

### Foreign Trade

Preliminary export and import estimates for 1967 show total imports of U.S.\$155.7 million and total exports including re-exports of U.S.\$150 million. The resulting unfavorable balance of trade was the first in several years. Imports were mainly manufactured articles and exports primarily basic food products.

With a 47 per cent share of the market in 1965, imports from the United States increased in 1966 by 30 per cent. The main items were manufactured goods, transportation machinery and materials. Competition is increasing: Mexico, Japan, Spain, West Germany, Italy and Britain sent trade missions to Honduras during 1966. Mexico is trying particularly hard to improve its trade position.

Imports from the other CACOM countries rose by 27 per cent over 1965 but exports to them fell by 5 per cent. Trade with the other members has expanded rapidly in the past but now seems to be levelling off at 16 per cent of Honduras' total foreign trade. This trade is far from balanced: Honduras imports almost 40 per cent more from other members (mainly El Salvador) than it exports to them.

The Government expected a higher trade deficit for 1967 because of lower

agricultural exports. However, a substantial increase in the flow of long-term loans, both public and private, was expected to soften the effect.

### What Canada Sells

Competition from new domestic industries and the lack of direct shipping services are two reasons why Canada barely maintained its share of this growing market. Our total exports rose from Cdn.\$1.1 million in 1965 to Cdn.\$1.5 million in 1966 and dropped to Cdn.\$1.1 million in 1967. Wheat flour (Cdn.\$123,000), punch card sorting machines and computers (Cdn.\$474,000), and mining and quarrying machinery and parts (Cdn.\$43,000) were the leading exports in 1967. Following closely were industrial chemicals, specialties and explosives, newsprint, construction and maintenance machinery and parts, metallic salts of inorganic acids, electricity measuring instruments, and insulated wire and cable.

Canada's purchases from Honduras, made up almost entirely of bananas, increased from Cdn.\$10.2 million in 1965 to Cdn.\$11.4 million in 1966 and Cdn.\$11.7 million in 1967.

### Exports and Investment

The long-run prospects for the Honduran economy look bright. There will be opportunities to sell more semi-manufactured goods, component parts and raw materials for the new industries. Prospects for selling engineering services are also good. Development of the tourist industry will create business. Competition from other exporting countries, however, will become increasingly keen and Canadians should be prepared to meet it.

Licensing agreements and direct investments should also be considered by Canadian companies. The Banco Central de Honduras points to nearly half a century of stability; free convertibility of its currency; many incentives offered to qualified new industries by the Industrial Development Law; completely equal treatment of foreign capital, and no transfer restrictions on foreign-owned assets, dividends or interest payments. All this makes an attractive package.



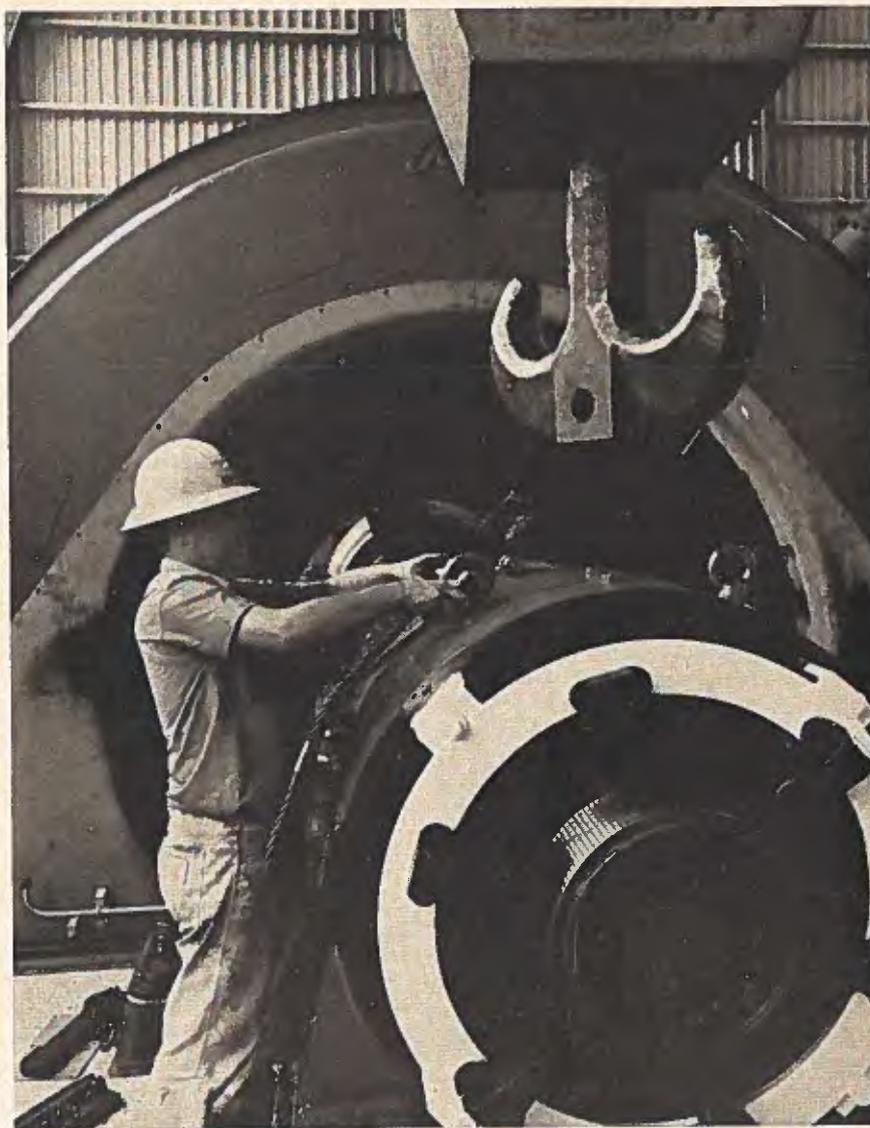
# Costa Rica

Canadian exports to: \$4.2 million (1967)

Canadian imports from: \$7.3 million (1967)

Opportunities: capital goods, raw materials

J. S. A. SOTVEDT, *Assistant Commercial Secretary, Guatemala City.*



—World Bank Photo

A Costa Rican worker is carrying out maintenance work on a huge generator at the Rio Macho hydroelectric plant. With the help of World Bank loans, Costa Rica has greatly expanded its power generating and transmission facilities in the last decade.

COSTA RICA differs radically from its four CACOM partners. More than 90 per cent of its people are of European extraction and more than 85 per cent are literate. It is a completely demilitarized society, with a sophisticated social welfare system. Economically, however, this small country of 1½ million people has much in common with its Central American neighbors.

Following the eruption of the volcano Irazú in 1963-64, Costa Rica experienced two years of exceptional recovery and growth, characterized by heavy foreign borrowing, large public expenditures, and dynamic private consumption. During the last half of 1967, however, the pace slowed considerably. This, combined with a money crisis, led to the present economic stagnation. After a partial devaluation, the Trejos regime instituted far-reaching reforms which, together with international aid, should restore the impetus to this normally prosperous economy.

### Increased Taxation

Government measures to restore the economy to normal have been instituted carefully to avoid affecting the cost of living for the average Costa Rican. Initially, austerity measures virtually halted government programs; during 1967, few new projects were initiated. To reduce consumer spending, a 5 per cent general sales tax (basic foods and medicines excepted) was instituted in July, plus a 25 per cent surcharge on 1967 property tax payments and on 1968 income tax. Excise taxes on most luxury goods and consumer durables were increased. The net effect was to reduce private purchasing power and the additional funds were used to cut the budgetary deficit.

The new \$15.5 million IMF standby-loan program will help recovery. These drawing rights are to function as secondary reserves while the Government takes steps to restore normal international payments. Available private credit is expected to increase with diminished government borrowing and there should be a gradual transition to renewed growth.

In January 1967, as a result of monetary pressures, Costa Rica instituted a partial devaluation. At present, certain classes of imports (principally

capital goods) qualify for exchange at the official rate C6.65 to U.S.\$1.00. Banks, on the other hand, are now purchasing U.S. funds at about C8.20 to U.S.\$1.00, and the on-the-street rate ranges between C8.50 and C8.55. Interestingly, the devaluation and its accompanying multiple exchange rates have not yet pushed up the worker's cost of living.

### Foreign Investment

Costa Rica depends to a large extent on foreign investment and financing for stimulating growth. The Costa Rican Government itself finances many development projects on foreign-backed bond issues and loan funds. For example, in 1968 the Government hopes to double public sector expenditure, largely as a result of road and water-supply projects for which foreign backing has already been obtained. Other projects to be developed are school construction, a new prison, and a new government complex. In addition, foreign loans of nearly \$20 million are being arranged for private agriculture.

New industry contracts in 1967 in the private sector decreased in comparison with 1966. In spite of this a number of major industrial projects began operations last year, including Costa Rica's first petroleum refinery, a tire factory and a flour mill. Recently the Scott Paper Company of Costa Rica signed a contract to establish a \$1.2 million paper mill for domestic production. Among future possibilities are a petroleum industry (a French firm is now exploring reserves) and a possible aluminum extraction plant.

### Industrial Exports Up

In addition to improved fiscal performance and continued foreign investment, a major prerequisite for economic stability and growth is solid export performance. In 1966, Costa Rica's imports were worth more than \$184.5 million but exports totalled less than \$136 million. Of these, almost 80 per cent were agricultural products, principally bananas and coffee.

In recent months, coffee prices have been falling, and coffee production is expected to exceed the country's international quota by a record amount this year. In spite of uncertain prices,

banana production continues to expand by about 20 per cent per year. Meat and sugar, exported almost exclusively to the United States, have taken on new importance as foreign exchange earners.

Significantly, industrial exports increased in importance by almost four times between 1956 and 1966 and now comprise 22 per cent of all exports as opposed to 6 per cent in 1956. Exports of manufactured goods reportedly doubled during the first seven months of 1967.

### Foreign Trade

Canada's exports to Costa Rica declined from Cdn.\$4.4 million in 1966 to Cdn.\$4.2 million in 1967. The main reason for the decline was the loss of flour sales with the opening in mid-1967 of Costa Rica's first flour mill. This may indicate the future trend as, with continuing industrialization in CACOM, imports of finished goods will face higher tariffs.

### CANADIAN EXPORTS TO COSTA RICA

| Product                 | 1965                | 1966  | 1967 |
|-------------------------|---------------------|-------|------|
|                         | (Cdn.\$'000 f.o.b.) |       |      |
| Wheat flour             | 1,900               | 2,024 | 842  |
| Malt                    | 145                 | 127   | 156  |
| Newsprint               | 765                 | 839   | 845  |
| Sanitary paper          | 102                 | 157   | 198  |
| Synthetic yarn & thread | 230                 | 438   | 226  |
| Sheet & strip steel     | 104                 | 117   | —    |
| Insulated wire & cable  | 290                 | 109   | 22   |
| Telephone apparatus     | 267                 | 163   | 64   |
| Wheat                   | —                   | —     | 288  |
| Zinc                    | —                   | —     | 133  |

Source: DBS

Costa Rica's principal market in 1966 was the United States, which took 45 per cent of its total exports. Sales to Canada in 1966 reached \$5.5 million, down from \$6.7 million in 1965. During the first ten months of 1967 purchases by Canada rose to \$6.1 million, with bananas (\$5 million) and coffee (\$1.05 million) the chief products.

### Future Opportunities

As the structure of the CACOM continues to be built up and industrialization progresses, the pattern of imports into the member countries, in-

cluding Costa Rica, will gradually change. The emphasis in the future should be on capital goods and machinery. During 1968, development of rural infrastructure and agriculture will be stressed. These projects involve a great deal of road construction, including sections of the Inter-American Highway, the San Ramón highway and feeder roads. Progress should also be made in communications and

water supply. The effect should be to increase the demand for imports for agriculture, including machinery and raw materials.

Other ambitious projects being discussed are:

- The 60 mw. Tapanti hydroelectric power project. Negotiations about financing are currently going on with the World Bank.

- A \$2.5 million temporary wharf to be constructed at Puerto Limón to alleviate congestion. This project involves a package deal, including financing.

These are just two of many development schemes which may prove of future interest to Canadian businessmen. Altogether, the best opportunities for future sales to this country lie in capital goods and raw materials.

# Nicaragua

Canadian exports to: \$2.8 million (1967)

Canadian imports from: \$1.9 million (1967)

Opportunities: industrial raw materials, semi-finished products

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

NICARAGUA continues to withstand reasonably well the effects of adverse weather during the past two years and of economic problems like those in its sister republics. The average annual growth rate was 8.1 per cent from 1961-65, but it fell to only 3.6 per cent in 1966 and last year recovered to about 5 per cent.

With free convertibility of the cordoba since 1963 and the removal of prior deposit requirements in 1965, imports have tended to rise faster than exports. The growing need for industrial raw materials and semi-manufactured goods, the requirements of investment programs, and greater consumer purchasing power have also contributed to this rise. This trend slowed somewhat in 1967 because of credit policies and the effect of two bad crop years. The over-all result, however, was a balance-of-payments deficit of almost U.S.\$12 million in 1966, the first in several years, with a similar one predicted for 1967. Gross international reserves stood at

U.S.\$46.5 million at the end of June 1967.

The current monetary policy is designed to restrict imports of consumer goods but provide more credit for export diversification programs and stimulate foodstuffs production. The short-term financing requirements for major commodity exports such as cotton, coffee and beef must therefore be met by foreign banks, thus releasing domestic resources for other uses. Last year the Central Bank set up a development fund to finance diversification programs. As a result of these credit policies, commercial bank credit increased by 22 per cent during the first half of 1967 over the similar period in 1966.

The new Administration of President Somoza has intensified its efforts to increase revenue collections and has also adopted a program of austerity in government spending to allocate more money to investment.

## Trade Pattern Changing

Faced with the challenge of overcoming a serious trade imbalance with the CACOM countries, Nicaragua so far has fought a losing battle. At the end of 1965, it owed some U.S.\$12

million to the Central American Clearing House, in 1966 almost U.S. \$16 million, and in 1967 there was little improvement. This deficit has tended to make Nicaragua react quickly to any action by the other member countries which it considers prejudicial to its industry. To rectify this situation, it is providing export financing for industries shipping to the other CACOM members and has formally requested preferential treatment within CACOM. If this request is granted—as a similar request from Honduras was—Nicaragua also will be permitted to offer more incentives to new industries and thus stimulate investment.

Imports from other CACOM countries increased from 3.9 per cent of total imports in 1961 to over 22 per cent in 1966. The U.S. share of the market has declined only from 49 per cent in 1961 to its present 46 per cent and the value of imports from the United States has more than doubled. It continues to be the principal supplier of motor vehicles, agricultural equipment, machinery, air conditioning, fertilizers, insecticides, pharmaceuticals, hardware and purebred cattle, and most of these imports are

rising. Local industries in Nicaragua and elsewhere in the CACOM have begun to produce some import substitutes and the composition of imports is now shifting to necessary raw materials and components.

With the U.S. largely maintaining its share of the market, the greater share going to the CACOM countries is at the expense of other suppliers, including Canada. Japan and Europe are making a determined effort to offset this trend and their stepped-up promotion programs are having an impact. To date, Canada continues to enjoy a favorable balance of trade with Nicaragua but Canadian exporters must intensify their sales efforts if they are to maintain their position—let alone obtain a greater share of the market. The awareness in Nicaragua of U.S. product lines, standards and skills should give Canadian firms an advantage over European and Japanese suppliers but this must be exploited to the maximum.

#### Investment Promoted

Nicaragua has offered a good investment climate for many years and has attracted a substantial amount of direct investment, particularly in joint manufacturing and licensing ventures. The industrial growth rate is almost 9 per cent and everything possible is being done to improve it. The best investment opportunities are in farming, cattle, light industry, and particularly industries based on Nicaraguan natural resources and producing products for sale in the CACOM.

In 1966, construction began on plants to produce caustic soda, insecticides, wood products, switch boxes and small transformers, glues and pharmaceuticals, among others. Another large textile plant with Colombian participation is also being built. This industrial activity and private and government investment have resulted in a construction boom.

#### Developing Natural Resources

As in other CACOM countries, several oil companies are stepping up their exploration programs. Esso Standard Oil is particularly active offshore and in the Departments of Leon and Chinandega and conditions are promising.

New forestry legislation providing for the orderly exploitation of the vast timber stands has been enacted and concessions are being granted. Already some logging and sawmill operations are under way and the establishment of a pulp and paper mill has been proposed. (See page 19.)

Following completion in 1966 of a geological survey of mineral resources, the Ministry of Economy is considering applications for mineral concessions. Gold, silver and copper are already being mined in substantial quantities and there are said to be commercial deposits of lead and zinc. A survey of the fisheries is being made with the assistance of FAO.

Public investment plans call for roads, ports, electric power, communications, irrigation and grain-storage facilities and these all offer opportuni-

ties for consulting engineers, construction firms and foreign suppliers.

The road program is of paramount importance and is discussed fully in the article on page 25; for port development, see page 22.

ENALUF, producing most of the electric power in the country, has drawn up plans for further electric generating capacity. These include installation of a 30,000 kw. thermal electric plant in Managua and the construction of a 50,000 kw. hydroelectric power plant in the north central part of the country near Ciudad Darío, using the water of the Viejo River. This project would involve the irrigation of 36,000 hectares.

Internal and intra-Central American telecommunications will require substantial investments in the near future and it is likely that Nicaragua will solicit bids for its segment of a proposed Central American network within the next year. The national telephone network is inadequate and there is an urgent need for radio communication equipment for industry, transport companies, bank branches, hospitals, and fire departments. It should be simple to operate and easy to service.

The National Bank has developed a plan to build 100 small granaries throughout the country. Construction of the first ten, being financed by suppliers' credits, has begun and the Government hopes to have all of them in operation by mid-1968.

#### Soles Opportunities Expanding

Its natural resources (mainly unexploited), its hard-working people and its central position in the CACOM promise a bright future for Nicaragua and for aggressive Canadian exporters willing to intensify sales efforts there. Manufacturers able to compete with U.S. exporters and to capitalize on the trend away from finished goods to raw materials and semi-finished products have much in their favor. Nicaragua is modernizing rapidly and products contributing to the process are much in demand—such as modern office equipment, air conditioning, etc. In addition, opportunities for licensing and for direct investment in Nicaragua and hence CACOM should not be overlooked.



#### PRINCIPAL CANADIAN EXPORTS TO NICARAGUA

| Product  | 1965         | 1966 | 1967 |
|--|--------------|------|------|
|  | (Cdn.\$'000) |      |      |
| Wheat except seed n.e.s.                         | 1,029        | 935  | 270  |
| Malt   | 216          | 246  | 305  |
| Oat byproducts n.e.s.                            | 190          | 41   | 364  |
| Upper leather n.e.s.                             | 52           | 37   | 54   |
| Newsprint paper                                  | 187          | 321  | 249  |
| Sanitary paper                                   | 58           | 38   | 71   |
| Industrial chemicals specialties & explosives    | 140          | 45   | 93   |
| Sheet & strip steel n.e.s.                       | 26           | 69   | 19   |
| Aluminum pigs ingots shot slabs, etc.            | —            | 10   | 45   |
| Aluminum fabricated materials n.e.s.             | 148          | 369  | 138  |
| Copper pipe & tubing                             | 11           | 53   | 35   |
| Zinc blocks, pigs and slabs                      | —            | —    | 114  |
| Gen. purpose industrial machinery & parts n.e.s. | —            | 21   | —    |
| New pneumatic truck & bus tires                  | 37           | 23   | 53   |
| Components for communication equip. n.e.s.       | 1            | 13   | 115  |

# El Salvador

Canadian exports to: \$4.5 million (1967)

Canadian imports from: \$2.0 million (1967)

Opportunities: Wheat, raw materials, development project needs

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

EL SALVADOR, which has been justly referred to as the industrial center of Central America and has accounted for over 30 per cent of the area's over-all internal trade, is expe-

riencing a distinct economic slow-down. Coffee shipments, restricted under the International Coffee Agreement to 1.6 million bags out of a production of two million, are faced with

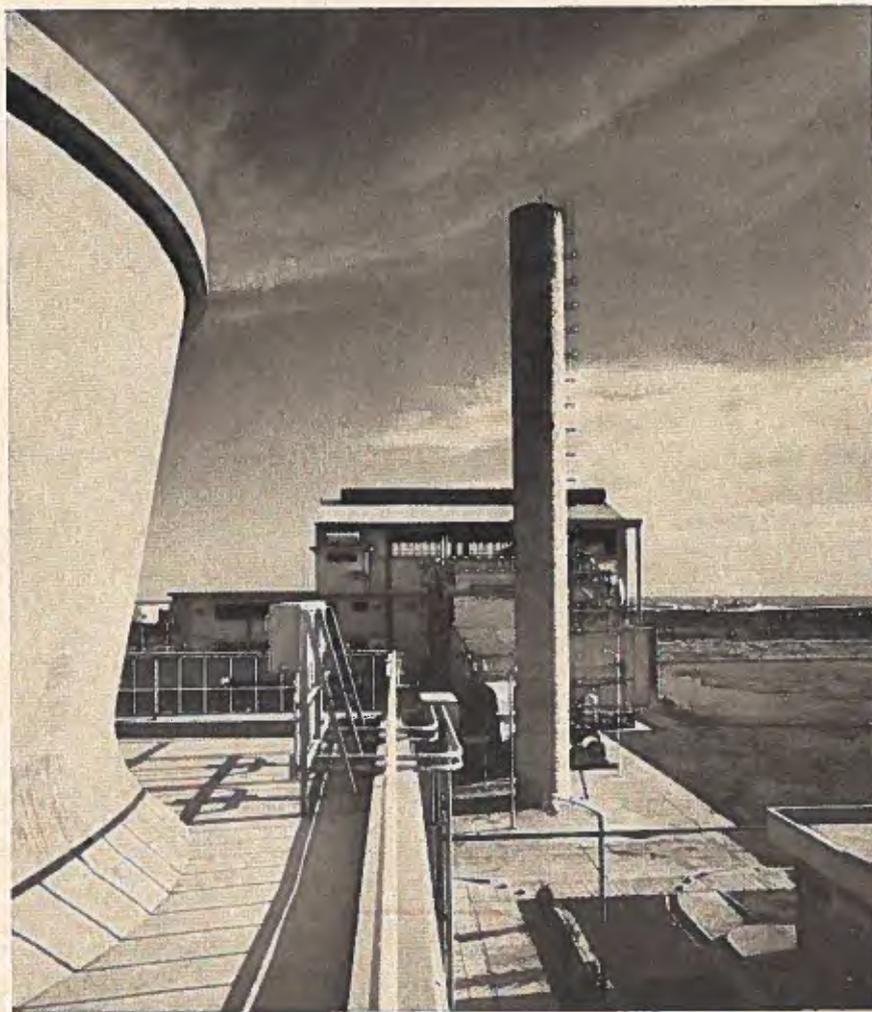
lower international prices. Similarly, cotton production has been much smaller this year as a result of insect damage. Earthquake damage in 1965 estimated at approximately \$30 million has also resulted in temporary changes in economic emphasis. Export earnings have been generally lower (1966—\$189 million), but imports have continued to be relatively large (1966—\$220 million). The resulting imbalance of trade has reduced foreign exchange reserves, which now approximate 120 million colones (U.S. \$48 million).

To stabilize the situation, the Government imposed two forms of control in October 1967.

1. All importers must now place prior deposits on letters of credit covering anticipated imports. This obviously curtails such purchases.
2. Banks are now compelled to maintain 30 per cent instead of 20 per cent reserves, thus tightening credit.

So far, the Government has avoided any direct increase in import duties. The net effect of the situation has been an estimated internal business down-swing ranging between 30 and 40 per cent. Although this is a rule-of-thumb figure, it has been freely cited to the writer by businessmen, government officials and other local observers.

This is a sombre but realistic view of present circumstances which may, according to SIECA representatives, continue for four or five years before substantial recovery. It should not, however, obscure developments taking place which will undoubtedly result in continued expansion and a strong industrial position within the CACOM group. Investment still comes in at a relatively high rate. With a fairly



—World Bank Photo

A view of the steam-electric generating plant at Acajutla in El Salvador, the country's main port, about 50 miles from the capital, San Salvador. A new 40 mw. thermal power station is to be built shortly at Acajutla to provide more electric power.

skilled and industrious labor force and a diversified and growing industrial complex (mainly fertilizers, brewery, textiles, oil refinery), El Salvador shows promise. Foreign loans are also helping. As of December 1966, the Government's authorized loan debt was equivalent to \$186.8 million, with \$148.3 million in withdrawals.

### Canada's Share

Canada is now about to provide a key impetus to this country's development. The first project to be approved under our development assistance loan program for Latin America was the expansion of the port of Acajutla. Our participation in this over-all project is significant because Canadian skills are being introduced, and this can lead to new ventures. (See article on page 22.)

Although over-all imports into Salvador are likely to decrease during the next three to four years, Canada's major exports—such as wheat and a variety of raw materials—should not be measurably affected because they are essential to the country. (See the table on the right.) Indeed, in spite of the slowdown, our exports have increased approximately 36 per cent in 1967 compared with 1966, largely because of more wheat sales.

El Salvador's industrial performance during 1966, which compensated for smaller agricultural output to boost the GNP growth rate to 6 per cent, should mean a good demand for imports. This rate dropped to approximately 4 per cent (or even less) during 1967 but industry has nevertheless continued to progress. Twenty-one new plants, capitalized at \$3.9 million (containers, foodstuffs, clothing) were scheduled to open in 1967. In the five years ended in April 1967, 534 plants (investment of \$146 million) were established. Less essential products may suffer because imports must soon be pared to bring the country's receipts roughly into balance with expenditures. In addition, new banking regulations are being considered, aimed at curtailing foreign banking operations. This may or may not have a dampening effect on foreign business.

### Where Opportunities Lie

Meanwhile, foreign interest and involvement in El Salvador are always expanding, with a view to current and future business. Central America's

### CANADA—EL SALVADOR TRADE 1967

(Cdn.\$'000)

|                  |       |
|------------------|-------|
| <b>We Bought</b> |       |
| Total imports    | 2,022 |
| <i>of which</i>  |       |
| Green coffee     | 1,920 |
| Shrimp           | 87    |
| Cotton           | 8     |
| Instant coffee   | 3     |
| Crude herbs      | 3     |
| Oilseeds         | 1     |
| <b>We Sold</b>   |       |
| Total exports    | 4,470 |
| <i>of which</i>  |       |
| Wheat            | 1,455 |
| Newsprint        | 1,083 |
| Aluminum bars    | 284   |
| Malt             | 206   |
| Asbestos         | 161   |
| Skim milk        | 77    |
| Sanitary paper   | 103   |

Source: DBS

major international fair (held in San Salvador every two years) will next year feature a Type I United States exhibit. Britain, Brazil and Czechoslovakia are new contenders for space at this fair, which also includes Japan, the Republic of China (Taiwan), Spain, Switzerland, Mexico, Colombia, Germany, Venezuela, South Africa, France, all Central American countries, and so on. This increased participation not only enhances the Fair's international status but, more significantly, points to the increasing

value of the Central American market to our most active competitors.

Canada's best opportunities under the existing Central American austerity and in the light of our recognized skills, as well as the potential value of business at hand, will lie largely in the development field and all ventures related to it. An "in" such as the soft loan Acajutla port project and our development loan to CABEI helps greatly in breaking into this and other Central American markets more or less secured by long-established foreign firms. None the less, perseverance and an imaginative approach are also needed for success.

Projects under way include a 40 mw. thermal power station at Acajutla, for which a Canadian contractor was an encouragingly low bidder, the re-vamping of La Libertad port, highways, and the supply of equipment for a revamped railway between San Salvador and Acajutla. Two Japanese firms have been active in this particular endeavor and have supplied generating equipment for Acajutla.

This office maintains close connections with Salvadoran government agencies and businessmen and would be happy to make appropriate introductions and extend support. Separate reports on ports, highways, communications and power projects in this and future issues of *Foreign Trade* will provide further data and some concrete leads.

### Sorting Freight Cars by Computer

A NEW \$12 million computer-controlled railway hump yard, to be built two miles southeast of Calgary by Canadian Pacific, is expected to increase the flow of export shipments to the West Coast. Construction of the fully automated yard is scheduled to start this year and it will be operational by 1971.

This automated operation will facilitate the handling of bulk commodities such as potash, sulphur and grain, which flow through Calgary from the north and east destined for shipment from West Coast ports.

Designed to handle both unit train operation and regular trains, the yard will be controlled by an electronic computer and will have double the present holding and sorting capacity. Almost

80 per cent more cars are expected to move over these lines by 1980—equivalent to 13,000 new revenue freight cars every year.

As each car enters the yard it will be automatically sorted and sent over the manmade hill (hump), uncoupled, and rolled down the hill into one of the preclassified tracks at the bottom of the slope.

The brain of this modern freight sorter is a digital computer, aided by giant retarder jaws which act as a speed control on the cars. Electronic scales, television cameras, and automatic car identification are all part of this huge operation which will speed up the classification of some 3,000 cars a day. ●

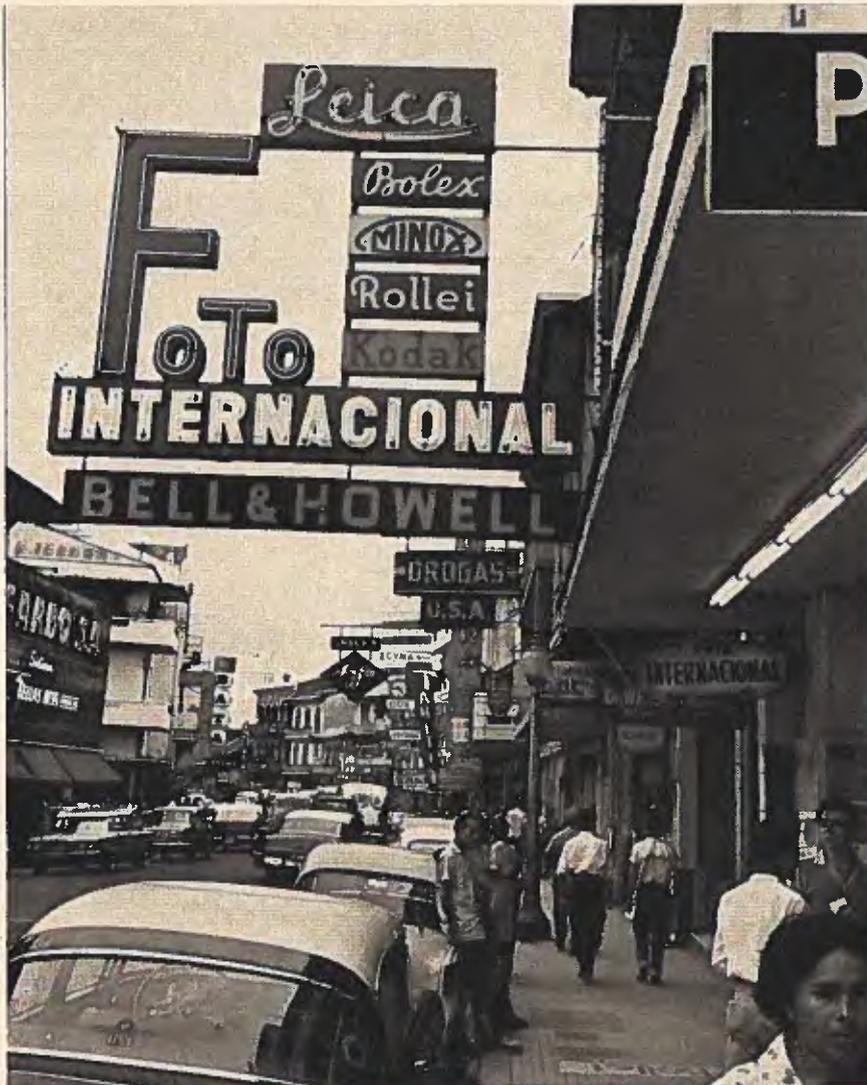
# Panama

Canadian exports to: \$4.7 million (1967)

Canadian imports from: \$14.8 million (1967)

Opportunities: newsprint, antibiotics and medicinal products, steel

J. S. A. SOTVEDT, *Assistant Commercial Secretary, Guatemala City.*



The array of advertising signs in this Panama street shows how international the market is. To sell here you have to price competitively and promote vigorously.

THE ECONOMY of Panama continued to expand in 1966 and 1967 at a rate of 7 to 8 per cent despite the slowdown evident in the other Central American countries. Panama's GNP was estimated at \$683 million in 1966—resulting in an income of \$548 per capita for its million and a quarter inhabitants.

Commodity exports increased by about 11.9 per cent to \$78.6 million (\$38 million of it being bananas from the Chiriquí district); commodity imports totalled approximately \$234.8 million, a gain of 13 per cent. Revenue from canal operations and the Colon Free Zone more than covered the deficit.

The Free Zone keeps a separate trade balance sheet. About 135 companies, representing some 500 firms from all over the world, are located in the Free Zone. In 1966, the Zone's imports totalled \$119 million and exports (including re-exports) reached \$178 million. This meant a net gain for Panama of approximately \$59 million. The Free Zone also provided, directly or indirectly, jobs for almost 6,000. The Panama Canal brought in over \$120 million (\$1.9 million rental plus a percentage of tolls) and helped to put the country in a comfortable foreign exchange position.

## Industrial Development

Great importance is being attached to infrastructure development, which is being financed from both internal and international sources. Panama received over \$30 million from the Alliance for Progress program in 1966. In 1967, the Panamanian government budget exceeded \$127 million, much of it earmarked for development programs. Five foreign banks opened facilities in Panama in 1966, further evidence of progress and prosperity.

Among the major industrial projects slated for 1967 were a flour mill, a cotton textile plant, and an iron and steel products plant. A major expansion of the present petrochemical industry is in prospect.

In the public sector, the main emphasis is on electric power—230 mw. more installed capacity, 110 mw. of it derived from the Canal.

Other developments are:

*Bayano Hydroelectric Project.* The feasibility study and design engineering work was to be submitted by

Estudios y Proyectos Técnicos e Industriales SA of Spain (EPTISA) in February 1968. Requests for the qualifications of contractors were issued in January 1968. The project is for three 50 mw. turbines and will cost \$40 million. Construction will take four years.

**Valle Las Minas Thermal Station.** This turnkey project is being undertaken by GIE, an Italian group. Bunker C oil will be used as fuel. Capacity is 40 mw. and the cost \$8 million, of which \$1 million is to be found locally.

**Farms to Market.** A road program currently being undertaken with the help of an IADB loan. The cost is \$3.5 million.

**Land Development at Río La Villa.** This \$4 million scheme is being undertaken with French backing.

**Irrigation at Pemonde.** Britain is supporting a \$3 million irrigation scheme.

**New Polyclinic.** The Panamanian Social Security Administration has announced plans to build a new polyclinic for specialized medical treatment. Construction costs alone will amount to \$5 million.

**Roads in Darién.** A road program is currently being undertaken in the remote Darién peninsula.

**Aviation Study.** A pre-investment study of Panamanian aviation facilities

requested by the Panamanian Government has recently been completed. This is the first step in a possible multimillion dollar airport improvement program.

**Las Perlas Runway.** It was recently announced that a new runway is to be constructed on the main island of the Las Perlas group.

### Trade with Canada

In 1966, Panamanian exports to Canada were down to \$16 million from \$19.4 million in the previous year. In 1967 Panama's exports to Canada totalled \$14.8 million. The chief products among these were: bananas (\$7.35 million), gasoline (\$3.1 million), and sex hormones (\$2.3 million).

Canada's exports to Panama totalled \$4.7 million in 1967, compared with

total 1966 sales of \$5.4 million. The main items for the first eleven months of 1967 were newsprint \$448,000, antibiotics \$301,000, and medicinal products \$253,000. Metal construction products, including sheet and strip steel, and a large number of other commodities in relatively small quantities made up the remainder.

### Pointers to the Future

Increasing canal traffic, industrial development, and larger export crops point to the continuation of the economic boom in Panama. Bananas are still the largest export but in the rich agricultural area of Chiriquí experiments are under way with oranges and cotton, both potential export crops. From the trader's point of view, much depends on whether or not Panama joins the Central American Common Market.

## More Power for Thailand

THAILAND'S Second Five Year Plan includes proposals for a number of power projects. Among these is the third stage of the Yanhee power development project, involving the installation of the fifth and sixth 70,000 kw. turbine generating sets at the Bhumipol dam, designed for eight such units.

A third thermal generating unit of 87,500 kw. capacity will be added to the two existing 75,000 kw. ones at the North Bangkok thermal plant and a third 230 kv. high-tension transmission line from Yanhee to Bangkok (450 kilometers) will be built. This project was started in 1967 and is expected to be completed by 1970 at a total cost of U.S.\$30 million.

The Yanhee Electricity Authority (YEA) distributes power from 115 kv. and 69 kv. substations to the other 14 provinces it covers. It plans to revamp the existing low-tension distribution lines and convert from 110 to 220 volts in order to minimize loss in the line. This has to be timed to complement the third and fourth stages of the Yanhee project and is estimated to cost U.S.\$20 million.

The Phasom power project envisages the development of the hydroelectric potential of the Sirikit Dam on the Nan River. Four 40,000-kw. generating units will be installed and 580 kilometers of 230 kv. lines built to Bangkok and 55 kilometers of 115 kv. lines to Uitaradit. This is expected to be completed between

1968 and 1970 and will cost U.S.\$24 million.

The largest project to be undertaken during the Plan will be the new 1,030 mw. South Bangkok power plant. The initial stage will consist of two 15 mw. gas turbines and two 200 mw. thermal generating units. The final stage will be the addition of two 300 mw. thermal units in 1975. The gas turbines will add to the reserve capacity of the system and the four thermal units will supplement the Phasom project and supply power to the northeast, where installed capacity will be fully utilized by 1969. This project will cost U.S.\$125 million.

A number of Canadian consultants have already visited Thailand to discuss the opportunities for their services. One company has signed an agreement to carry out consulting work for YEA. It is hoped that the extensive development of power generation being undertaken in the Second Plan will provide opportunities also for Canadian equipment. Certain Canadian electrical producers have already bid on various tenders issued by the generating authorities and this number, hopefully, will increase in the next year or two. For further information and assistance, write to the Commercial Section, the Canadian High Commission in Singapore.

—D. H. M. BRANION,  
Assistant Commercial Secretary,  
Singapore.

### WHAT CANADA SELLS TO PANAMA

| Product                                 | 1965                | 1966         | 1967         |
|---|---------------------|--------------|--------------|
|   | (Cdn.\$'000 f.o.b.) |              |              |
| <b>Total</b>                            | <b>4,622</b>        | <b>5,444</b> | <b>4,659</b> |
| Newsprint                               | 360                 | 525          | 453          |
| Sardines, canned                        | 103                 | 196          | 64           |
| Malt                                    | 98                  | 151          | 120          |
| Oatmeal                                 | 203                 | 134          | 5            |
| Whisky                                  | 100                 | 106          | 71           |
| Sanitary paper                          | 112                 | 107          | 9            |
| Sheet & strip steel                     | 24                  | 194          | 236          |
| Copper pipe & tubing                    | 86                  | 228          | 218          |
| Insulated wire & cable                  | 64                  | 112          | 226          |
| Passenger automobiles                   | 184                 | 195          | 155          |
| Components for communications equip.    | 26                  | 262          | —            |
| Antibiotics                             | 545                 | 551          | 301          |
| Veterinary medicines & feed supplements | 377                 | 248          | 237          |
| Medicinal & pharmaceutical products     | 348                 | 551          | 277          |
| Aluminum bars, rods                     | 31                  | 56           | 240          |
| Biological products for humans          | 198                 | 143          | 149          |

Source: DBS

# Opportunities in Central America and Panama

*Airport development and the growth of industry and commerce go hand in hand in this area.*

J. S. A. SOTVEDT, *Assistant Commercial Secretary, Guatemala City.*

THE SIX Central American countries have leapt straight from the horse and buggy era into the jet age. Road and rail development, the usual intermediate stage, was to a great extent bypassed. For many years, communications were planned on a purely national basis. Now that the sister republics are moving towards economic and cultural unity, they find themselves heavily dependent on air travel.

With the exception of Honduras, each already has either a modern, efficient international airport or is building one. At Panama, a major international interconnection point, the facilities have for many years been capable of handling heavy international traffic. Guatemala, a center

of growing importance, is completing a large ultramodern airport capable of serving its needs for some time.

Central American countries have recently passed liberal new legislation for the promotion of the tourist industry. The region has many natural attractions and the new laws are expected to lead to the provision of more and better amenities. Guatemala, for example, is at present served by five international carriers (including Pan American) and expects within a few months to add two major European airlines. Think what that means in tourist potential.

At the same time, new emphasis is being given to domestic air services. Central American roads are generally

poor; only in the last few years has highway construction been undertaken in earnest. Domestic air services are obviously a necessity.

Domestic airports can be anything from a large pasture, such as Esquipulas, to the new modern one with a new paved runway at Puerto Barrios, also in Guatemala. Governments are anxious to increase and improve their facilities. Even though financing for such projects is relatively scarce and most often supplied through United States agencies, there will be opportunities in the airport field, particularly for suppliers of equipment.

The planning, development, and construction of airports are of vital concern to the Central American and Panamanian Governments. These are some of the major projects at present.



Guatemala's airport terminal will open this summer. Architecture is an interesting blend of local motifs and modern materials.

**Guatemala**—An elaborate new terminal building to be opened this summer. This was contracted locally and financed by a local bond issue. It will provide first class service for years.

**Honduras**—The Honduran Central Bank has contracted with two U.S. consulting firms to do an economic and technical feasibility study on replacing the Toncontín airport in Tegucigalpa. This will probably result in a modern international airport on a new site to replace the present antiquated one. A new and modern jet terminal building has just been opened in San Pedro Sula and will provide efficient service for both domestic and international traffic.

**Costa Rica**—The Ministry of Communications has now secured a \$1½ million IADB loan to expand facilities

at El Coco international airport, San José. This project, expected to begin in June, will include major improvements to runway and terminal facilities.

**Panama**—In March 1967, a new runway lighting system was installed at Tocumén airport. This was a joint effort of three U.S. airlines and was developed by Pan American Airways engineers. The Government is awaiting the results of a pre-investment study of a multimillion dollar improvement program at Tocumén.

There are many smaller projects at various stages throughout the area. Panama plans to build a new runway in Las Perlas islands and is constructing a new control tower at Patilla. Guatemala would like to have an airport at Esquipulas for traffic to Hon-

duras and El Salvador. Improvements are planned for other airports; the majority involve runway lighting and tower facilities.

Supersonic or jumbo aircraft are unlikely to be used here in the foreseeable future except for Panama, which may be one reason for current Panamanian activity. In Costa Rica, Nicaragua, Honduras, El Salvador, and Guatemala, facilities will gradually be expanded to meet increasing tourist and commercial traffic. The major emphasis will be improving them rather than increasing the number of airports. Our conclusion is that Central America will provide sales opportunities for Canadian suppliers of airport equipment and related services. Financing will often be an important, and sometimes the crucial, factor.

## *Canadian engineers and suppliers of forestry equipment should begin sales efforts in Central America now.*

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

THE Central American Republics and Panama have extensive stands of tropical hardwoods and pine, except for El Salvador and, to some extent, Costa Rica. Honduras is generally considered to have the largest forests, followed by Guatemala, Nicaragua, Panama and Costa Rica. But in terms of organized exploitation programs, Honduras and Nicaragua take the lead.

Until recent years, no attempts were made to exploit the forests commercially and even today development is proceeding slowly. Many of the densely forested areas are still inaccessible and development costs are high. Only lately have surveying, mapping and forest inventory projects been undertaken. Investment to date has been private and small-scale, generally in the form of widely scattered sawmills. Local and foreign markets have not been exploited and neither grading standards nor forestry legislation are effective.

### **Converting Operations**

Recent years have seen the establishment and expansion of industries producing paper and paper products. But virtually all of these are strictly converting operations making napkins, toilet tissue and other papers from imported jumbo rolls. The few exceptions are factories using imported pulp in their production process. None of these companies has shown any inclination to use the local natural resources.

### **Emphasis Is Changing**

Now, with the establishment of the CACOM and the progressive industrialization of the member countries, the orderly exploitation of natural resources is receiving attention. Governments are co-operating wholeheartedly with international agencies such as the UN and FAO to finance forest surveys and inventories and to establish sawmills and pulp and paper operations. Grading standards and existing forest legislation are being reviewed to make them more effective. Local road and port construction pro-

grams are being undertaken to make more forests accessible and, with the financial incentives offered under industrial development legislation, investment in this industry is becoming attractive.

The UN, FAO and ADELA are the principal international agencies assisting local governments in financing and implementing forestry development programs. Most UN Special Fund contributions to date have been channelled through FAO as executing agency. In addition, the forestry departments of local governments are being reorganized and given larger budgets to promote their own programs.

### **Major Investment in Honduras**

With the most extensive pine and hardwood stands in the territory, Honduras is organizing the largest forestry project ever undertaken in Central America. In June 1966, ADELA agreed to help with the formation of a consortium leading to the establishment of a pulp, paper and timber complex. This agreement resulted from a feasibility study under-

taken by ADELATEC on the use of Honduran forest resources. This study reported conditions favorable for the manufacture of pulp and paper for the Central American market and for the export of high-grade timber, mainly to Europe. Following a further detailed technical report prepared by ADELATEC, the Honduran Government and the Central Bank of Honduras gave their support to this project.

The project will include a sawmill and a linerboard plant with a capacity of 170,000 tons. Estimated cost is approximately U.S. \$72.5 million, including forestry and transportation equipment and housing for workers. In addition, expenditures by the Honduran Government on roads and other infrastructure and on labor are estimated at U.S.\$15 million. Most of the linerboard will be used in Central America, principally for banana containers. ADELA and FAO are jointly acting as agents on a best-effort basis to raise the funds required among the technical partners, prospective customers, equipment suppliers, private Central American investors, and Central American and international financial institutions. ADELA has approved an investment of up to U.S. \$3.5 million and the Honduran Government has accepted in principle the offer by the International Paper Co. of the United States to participate as the technical partner. FAO will be playing a key advisory role.

The over-all development as originally planned was to include a forest inventory and forest reserve demarcation projects. However, ADELATEC recently decided to change the mill site from the San Esteban area to a location on the Mame River near Olanchito where the pine resources have already been inventoried. Accordingly, the forest inventory phase of the project has been postponed indefinitely. The land survey-demarcation phase, covering approximately 15,000 square kilometers, will proceed and so will construction of the linerboard mill and sawmill once financing is obtained.

A system of forest legislation, forest administration and tenures will also be required and the Government will probably create a new forestry organization for this. Honduras has no forestry engineers and will require foreign help in getting established. (For additional information, contact G. Fu Pe-

ñalba, Banco Nacional de Fomento, Tegucigalpa.)

Aside from this major project, development in Honduras has been sporadic, consisting mainly of neighborhood sawmills and a plywood operation.

### Nicaragua's Forest Surveys

Nicaraguan resources are extensive and sawmill operations are being set up rapidly. In addition, based on research and a feasibility study prepared by FAO, the Instituto de Fomento Nacional (INFONAC) has expressed interest in having a foreign firm establish a pulp and/or paper mill in the northeast.

A preliminary inventory of pine resources in that area indicated that about 4.5 million solid cubic meters of standing pine were available as raw material—enough to produce one million tons of unbleached kraft pulp. The area is also rich in hardwoods. Proper reforestation practices and fire precautions would assure future supplies of raw material.

To explore this further, the UN Special Fund is also sponsoring, in co-operation with the Government and with FAO as executing agency, a more detailed investigation in the northeast under project number DP/SF/R.5/ADD 62. In addition to providing consulting services in forest management, forest exploitation, silviculture, fire control, hardwood inventory and forest legislation, under sub-contract, the UN will provide feasibility studies of alternative mill sites, infrastructure surveys, aerial photography, and so on.

### Guatemala Logs

Guatemala also has substantial forest resources, often ruined in the past by poor forest management and reforestation. These timber stands, consisting mainly of tropical hardwoods and to a lesser extent pine, are located principally in the Peten area. FAO is now working closely with FYDEP, the government agency responsible for development of the Peten, to promote their exploitation. Reserves in the Peten are estimated to be sufficient for an annual cut of 50 million board feet to supply the needs of lumber, veneer, plywood and particle board industries.

As executing agency for a UN Special Fund project initiated almost five years ago, FAO is completing an in-

ventory of Peten forest resources, a detailed management study, and a sawmill program to produce quality timber for Guatemala, Central America and the export market. One sawmill is already in operation, two more are being built, and others are in the planning stages. The final FAO report which will be available at the end of this year will also recommend the establishment of plywood and veneer factories, to be followed possibly by particle board and prefabricated housing operations. Pine logs are already being exported to Japan and proposals have been received for the establishment of a pulp mill.

At present, there is no unified approach to the development of this area but local government officials generally agree that exploitation of these substantial resources would bring considerable economic benefits. The Minister of Agriculture has recently made rather forceful comments about future plans for using these timber stands and interested Canadian consultants should consider establishing themselves at an early stage.

### Forest Survey in Panama

Although they are largely inaccessible areas, almost 74 per cent of Panama contains substantial stands of timber (estimated at one billion cubic meters) not yet exploited commercially. In 1965, the UN Special Fund in co-operation with the Panamanian Government and with FAO as executing agency, proposed a four year project to make an inventory of national forestry resources and to plan and organize their exploitation. This project did not get under way until 1967 and little other planning can be done until the final report is submitted in several years' time.

### Opportunities for Canadians

There are excellent opportunities for Canadian consulting engineers who wish to advise on orderly utilization of forest resources and for suppliers of forestry equipment. Local governments are determined to set up and expand these forest industries and Canadian consultants and manufacturers would be well advised to begin their sales efforts early. The Trade Commissioners on the spot will be pleased to assist them.

## *Central America and Panama offer Canadians opportunity to try joint ventures or licensing agreements or to sell components, semi-processed products, and raw materials to manufacturers.*

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

AS PREDOMINANTLY agricultural economies, the Central American Republics and Panama for many years offered a market for manufactured goods limited only by the extent of their purchasing power. Their proximity to the United States and the familiarity of local importers with U.S. skills, products and standards gave U.S. exporters a strong hold on the market which remains to this day.

With the successful establishment of the Central American Common Market and the increasing industrial development and economic diversification, the trade picture is changing drastically. Nowhere is this more evident than in the mix of products imported. The trend away from finished goods towards component parts, semi-finished goods and raw materials has been accelerating in the past few years.

With a rapidly expanding population now over 14 million, Central America and Panama offer an attractive place to set up a manufacturing business. Each country has established aggressive industrial promotion agencies and as a further incentive has passed legislation granting to qualified new industries tax holidays and duty-free import privileges for up to ten years. These government agencies are equipped to provide detailed information and help, and occasionally aid in locating local sources of financing. Once in production, the unified Central American tariff is normally adjusted to protect the output of the fledgling factory.

### **Foreign Firms Coming in**

In co-operation with local investors, most major U.S. companies and other foreign manufacturers have already established or are contemplating production facilities in this territory. Many of these foreign companies make direct investments in their

Central American facilities, usually retaining only a minority interest. Others confine themselves to negotiating licensing arrangements.

At first, the new factory tends to be strictly an assembly or conversion operation producing only the most popular product styles or brands from imported components. Then, as it becomes established in the market, it undertakes a greater degree of manufacturing and broadens the product line. The imports required shift gradually from component parts to semi-finished goods and finally to basic raw materials.

Traditionally, Canada has exported a substantial volume of finished goods to this territory and, as many foreign companies are finding out, the market for these products is gradually contracting. However, if Canadian manufacturers will look farther ahead they will see that this situation presents many new opportunities for sales and profits. These opportunities in many instances are more attractive than the former ones for finished goods and have much greater potential.

### **Direct Investment Ensures Market**

A Canadian manufacturer should first consider making a financial investment in a local new industry. This would more or less ensure that the necessary import requirements are obtained from the Canadian company over an extended period. In addition to creating a continuing export market, the money spent can earn an attractive return because of the favorable terms.

As an alternative, a Canadian could negotiate licensing agreements with local investors wishing to establish a new industry or with existing industries wanting to expand their product lines. For many foreign manufacturers this is a highly satisfactory arrangement.

It requires no investment, it earns royalties, and components and raw materials are likely to be bought from the licensor, at least initially. The local manufacturer could develop substantial sales in this market, aided by tariffs designed to exclude foreign competition.

Finally, the largest potential is for supplying components, semi-finished goods and raw materials to existing and about-to-be-established industries free to source their requirements on a strictly competitive basis. At present, this applies to the great majority of local manufacturing operations and world-wide competition for this business is severe. Some Canadian manufacturers, recognizing these opportunities, have already initiated aggressive sales efforts and are exporting to this territory such diverse products as chassis for the production of TV and radio sets, malt for breweries, synthetic fibers for the textile industries, zinc for local galvanizing operations, aluminum for local fabricators, pulp for local papermaking operations, components for lighting fixture manufacturers, and glucose for the production of ice cream. Wheat for local flour mills has for many years been an important Canadian export, approaching 30 per cent of our total sales to this territory.

### **Advantages for Canadians**

This type of export business in developing areas such as Central America and Panama offers the Canadian manufacturer many advantages. Most important is its continuing nature and its tendency to expand. If the first few shipments prove satisfactory, the local importer becomes accustomed to using the product in his manufacturing process and re-orders more or less automatically at regular intervals—unless competing exporters provide him with an economic incentive to change suppliers. This is particularly true when the

foreign exporter provides good service and offers advice and counselling wherever possible to these frequently inexperienced industries. Larger sales of locally made products can lead to expansion of production and larger orders for the foreign supplier.

### Representative Important

The most difficult problem facing the Canadian manufacturer wishing to exploit these sales possibilities is securing the first order. Given price, quality and delivery as the predominant competitive factors, the next most important step is to obtain the services of an aggressive manufacturers' representative well connected with the

particular industries. In these small Central American countries a surprising amount of business is still conducted on a personal basis (particularly if competitive factors are equal). In fact, many agents are frequently important shareholders in several new industries. Local manufacturers generally prefer to deal with agents because, to earn their commission, they handle all the details of ordering, documentation, delivery, and so on. And the local agent is always on the spot to represent your interests and offer advice.

The wide local familiarity with North American products and standards, plus the fact that many new

industries have U.S. production equipment, helps Canadian exporters to compete effectively against European and Japanese suppliers. Because of this, success often depends essentially on the Canadian's ability to compete directly with U.S. suppliers.

Canadian manufacturers should not be discouraged by dwindling exports of finished goods but instead should reassess their position and take advantage of the greater opportunities in supplying the new industries. The Department of Trade and Commerce in Canada and the Trade Commissioners in the territory can help you assess your sales prospects and can support your marketing endeavors.

*Port development is going ahead rapidly on both the Atlantic and Pacific coasts. Canadians have a big stake in the Acajutla project in El Salvador and there are opportunities elsewhere.*

R. DOUGLAS SIRRS,  
Commercial Counsellor,  
Guatemala City.

CENTRAL AMERICANS are justly proud of their achievements but they are equally conscious of the challenging problems which remain. One of these is transportation. They have emphasized highways—and, to a lesser degree, railways—in national development programs. But these depend in turn on the seaports which link the region with its vital world markets and which are being used more and more for direct shipments between member countries of the Central American Common Market. A considerable effort is being made to expand ports, barge transport systems and related projects.

Each of the Central American countries (except El Salvador which borders on the Pacific Ocean only) is making improvements to ports or developing new ones on both the Caribbean and Pacific side of the isthmus. The value of engineering, construction and installation work being performed

or planned for the near future is approximately \$104 million. The major projects are outlined on page 24.

### Canadians at Acajutla

Canada has now broken into this promising development field with a contribution of \$3.2 million towards the cost of a port expansion project in El Salvador. This was handled through the medium of the Inter-American Development Bank (IADB) and is the first venture to be approved under our new development loan assistance program for Latin America.

The port of Acajutla has a strategic central location and serves the Pacific coasts of Honduras and Guatemala as well as El Salvador. It dates back to 1572 but in more recent years German interests built the modern L-shaped pier which today handles 398,000 metric tons of dry cargo and 409,000 tons of crude oil. (This is well over the original estimates of 250,000 tons for 1980.) Canada is involved in providing a 360-meter pier extension with complete bulk handling facilities which is expected to treble the throughput. Ironically, this might

include sulphur from a Guatemalan site being considered by Canadian and U.S. interests. The Canadian consulting engineer on the spot at Acajutla is looking into new conveyor extension requirements, corrosion problems with the old port, silo facilities and other matters related to the expansion of the existing port. There has been talk of central wheat-storage facilities and an industrial complex in the Acajutla area.

Also under discussion is a new complementary deepwater port at Punta Gorda on the Gulf of Fonseca, which might provide a barge service to Honduras and Nicaragua. This venture is some years away and may be delayed by pressure for ports in other areas, Honduras in particular. The men on the spot—the Canadian consulting engineers, contractors, and equipment suppliers currently working in Acajutla—are in the best position to exploit these opportunities but there are chances for other Canadian firms also.

The Acajutla project is not only significant in itself but is important in establishing Canada's local reputa-



Canada is playing a major role in the development of Acajutla's port which serves the Pacific coastlands of Honduras and Guatemala as well as El Salvador. The new wharf shown here is part of the first phase of the master plan.

tion for competence in this field, an essential step towards obtaining future work.

Also in El Salvador is La Libertad, which has a cement pier; overhauling it is costing approximately \$450,000.

### Guatemala Expands Facilities

In Guatemala the government-owned port of Matías de Gálvez on the Caribbean only five kilometers from Puerto Barrios (the port used by the United Fruit Company) should be in full-scale operation by February 1969. Already it is handling considerable cargo and certain other specified shipments are compelled to go through this port. A U.S. consulting engineering firm, (Frederick Snare Corp.), has been entrusted with supervision of this project which has been financed by an initial \$4.5 million Eximbank loan and subsequent \$500,000 rotational loans. The wharfage area runs parallel to the shore and will initially be one kilometer in length; expansion to two kilometers may take place in five or seven years. Facilities being installed will be able to handle the output of INCO's proposed \$130 million development on Lake Izabal.

The site for Guatemala's new Pacific port is still under discussion. San José and Champerico, a government-owned anchorage close to the Mexican border, are the two contenders. The cost will probably be between \$15 million and \$25 million. International financing has not yet been secured but discussions are under way with the World Bank.

### Three Projects in Honduras

Honduras is busy developing its ports too. Puerto Cortés on the Caribbean side is being revamped at a cost of \$8 million with the help of a World Bank loan. Also financed by the World Bank is a study to be made of the desirability of establishing a port on the Gulf of Fonseca on the Pacific.

A U.S. firm (TAMS) has already been appointed to undertake the engineering design and supervisory work at Puerto Cortés. A contractor has not yet been selected although a roster of 26 firms (including one Canadian) has already been drawn up on the basis of fulfilled prequalification requirements.

Offers to supply port handling equipment are to be made during the course of the year and invitations will

be issued in 1968. The expanded port will handle 240 ships a month as opposed to 100 now. Only five ships can dock at Puerto Cortés at present; the others have to wait their turn.

For the \$200,000 Gulf of Fonseca study, a selection has been made from seven prequalified engineering firms (two Dutch, two U.S., one Danish, one Norwegian, and one British). There have been some doubts of the practicability of siting a port in the shallow Honduran part of the Gulf but the Honduran authorities believe it should be feasible at Boca de Henecon or Punta Ratón. Prospects for additional work will depend on the results of this study.

Another possibility being talked about is a new port on the Atlantic side (perhaps in the vicinity of La Ceiba) to service the proposed new linerboard mill project. Interested Canadian firms should keep in close touch with the authorities in Honduras so that their applications will be considered at the right time.

### Corinto and Bluefields

Nicaragua, whose focal port is Corinto on the Pacific, has already in-

**Port Development in Central America**

**Guatemala**

*Matias de Galvez*—government-owned port on the Caribbean. Development is being financed by Eximbank with an original \$4.5 million loan and a continuing rotational \$500,000 loan.

*Port on the Pacific*—site not yet settled. The World Bank is considering the project which may cost \$25 million.

For information, contact Ministro de Comunicaciones y Obras Publicas, Guatemala City.

**El Salvador**

*Acajutla*—port expansion valued at \$7 million, which includes \$3.2 million Canadian development assistance loan.

*La Libertad*—improvements to cement pier valued at \$450,000.

*Gulf of Fonseca*—under discussion, deep-water port at Punta Gorda.

For information, contact CEPA (Comision Ejecutiva Portuaria Autonoma), San Salvador.

**Honduras**

*Puerto Cortes*—World Bank has made a loan for the \$8 million port expansion project.

*Gulf of Fonseca*—a study is to be made for siting a port. It will cost \$200,000 and be financed by the World Bank.

*New Atlantic port*—may be needed to handle output of the proposed new linerboard project.

For information, contact Empresa Nacional Portuaria, Puerto Cortes.

**Costa Rica**

*Atlantic port*—present study costing \$490,000 is financed by the World Bank, Central American Bank for Economic Integration (CABEI), and the Costa Rican Government. The new port is expected to be at Moin or Cieneguita on the Atlantic and the scheme to cost \$20 million.

*Pacific port*—facilities at Puntarenas are to be expanded.

*Canal system*—the proposed system along the Caribbean coast between Moin and Barra del Colorado and the expansion at Puntarenas on the Pacific will together cost \$24 million.

*Puerto Limon*—offers sought for \$2.5 million wharf, a turnkey project.

For information, contact Minister of Transport, San José.

**Nicaragua**

*Corinto*—studies costing \$220,000 under way, expected to lead to an expansion program worth \$9 million to \$12 million for this Pacific port.

*Bluefields*—engineering and feasibility study being done by Anglo-French group financed by UN Special Fund. New port and highway connection expected to result.

For information, contact Ministro de Fomento y Obras Publicas, Managua.

**Panama**

*Balboa*—proposal to extend pier by 300 meters at a cost of \$2 to \$3 million.

For information, contact Vice-Minister of Public Works, Panama City.

Integration (CABEI) and the Costa Rican Government and is expected to lead to a \$20 million port project at either Moin or Cieneguita on the Caribbean as well as the expansion of facilities at Puntarenas on the Pacific. Funds have still to be obtained for this venture. A new port would take eight years to complete.

Meanwhile there is pressure for better port facilities at Puerto Limón on the Atlantic side and \$2.5 million is being sought for a T-shaped pier, as a turnkey project including design, equipment and financing. At least two Canadian firms are interested and have called on the officials concerned. Participation in ventures such as this provides the entrée to related projects in the area.

The proposed Moin-Barra del Colorado canal system along Costa Rica's Caribbean coast could bring Costa Rica's international loan needs for port and related developments up to \$44 million.

Nicaragua, Guatemala and Costa Rica have been considering particularly barge transport with an initial investment of perhaps \$1 million.

**Another Part for Panama?**

In Panama, outside the Central American Common Market but currently our most buoyant market in the Isthmus, finance for a \$2-\$3 million port project at Balboa is being sought. This would reduce Panama's overwhelming dependence on the Canal Zone. There would be a 300-meter extension to the existing 125-meter shallow draft pier and dredging to allow docking of larger vessels. Some engineering has already been done by a U.S. firm, Frederick Snare Corp., but the main project is dormant for lack of financing. Work on the Panama Canal is mainly tied to U.S. companies but might still afford occasional openings for Canadians.

Many opportunities only become known and are secured as a result of diligent on-the-spot investigation and effective promotion techniques. We strongly recommend you make direct contact with agencies in the list on this page. The Guatemala office will be pleased to help with further information and practical assistance.



initiated studies (costing \$220,000 and financed by the World Bank) on a \$9 million to \$12 million port expansion program, with the third and last phase scheduled for completion in 1970. In 1956 the World Bank advanced \$3.2 million for quay sheds and cargo handling equipment; this has already trebled the port's capacity to 640,000 tons a year.

Feasibility studies on a Caribbean port in the Bluefields area are now being carried out by Livesett, an An-

glo-French consortium. This is being financed by local and UN Special Fund money. Although foreign interests are already established there, it is worth keeping a close watch on developments in Nicaragua.

**Costa Rica's Canals**

In Costa Rica, a U.S. concern, TAMS, obtained a \$490,000 port and economic feasibility study. The study is financed by the World Bank, Central American Bank for Economic

*Coming of CACOM has sharpened the need for better north-south communications. Emphasis on roadbuilding and later on modernizing the railways is a development Canadian suppliers should follow closely.*

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

AS the Central American republics evolved as independent states, their economies were largely centered on competing products. This led to east-west as opposed to north-south trading channels, and outlets were established on the Caribbean and Pacific Coasts (except in El Salvador with its purely Pacific orientation). The United Fruit Company, one of the major economic catalysts in the area, and the Standard Fruit Company developed a narrow-gauge railway system heading for either ocean, in accord with their limited transportation needs. Highways followed a similar trend in keeping with internal requirements.

The advent of the CACOM dramatically altered this pattern. Communications became crucial in the development of industry and acquired a north-south orientation. The evol-

ving transportation system has also taken into account the need for providing access to potential new resources. Highway and trunk road systems have been aided by international lending agencies and Canada has tentatively entered the picture with a \$3.8 million loan to the CABEI for suggested use on roads or silos. At least one Canadian contractor has made a serious effort to get highway work in Honduras.

#### **Road Transport Vital**

It has been estimated roughly that transport will absorb over 30 per cent of the U.S.\$1.4 billion outlay on capital development in Central America from 1965-69. Highways will receive the major portion of this outlay. At present there is a grid consisting of the major Inter-American (Pacific) High-

way, with major roads spreading out from this main artery. Latest records (1965) show a total all-weather road system of 30,000 kilometers with 20 per cent paved and an additional 30,000 kilometers of semi-passable roads.

Major roads already cross the peninsula in Guatemala, Honduras and Costa Rica. These are:

- Guatemala: Puerto Barrios, San José.
- Honduras-El Salvador: Puerto Cortes, Acajutla.
- Honduras: Puerto Cortes, Tegucigalpa, Jicaro, Gualan.
- Nicaragua: Rama Road, connecting the Inter-American Highway with the river port of Rama.

In Costa Rica there is also a Pacific-Caribbean highway linkup with improvements under way outlined later on in this report.

Each of these routes is supplemented by multiple feeder roads, continually being improved and expanded. Experts from CABEI and SIECA actually laid out a regional highway system in 1963 which included 12 projects with a total of 1,119 kilo-

Central America's roads and railways were often built to serve specialized local needs. The advent of the Common Market made a modern road transport network necessary. The picture shows heavy machinery at work on a section of new highway in Honduras, near Tegucigalpa. Canadian involvement is limited at present, but now is the time for firms to make themselves known in the area if they want future contracts.



meters to cost \$72 million. The program was later adjusted to 12 projects and 1,632 kilometers and is still subject to adjustment.

Let us briefly review some specific current developments in the area.

**Guatemala**—25 per cent of the government's budgeted investment (or \$18.7 million) is being allocated to roads, with emphasis on the Petén area. The Government has also recently asked for a CABEL loan of U.S.\$6.2 million to complete two highway projects, one between Santa Elena and Coban in the Petén area and the other near the border of El Salvador. AID of the U.S. is financing approximately half of the cost of these two ventures. Additional moves are under way to spend \$6 million (possibly IBRD) on an all-weather road linking La Libertad, Sebol and Tuila in the Petén.

**Honduras**—regional highway development work is being planned and covered by local and foreign financing. This includes an IADB loan of \$5.3 million to help finance a 59-mile highway between San Pedro Sula and Tela. This is part of a 238-mile northern coastal highway project which runs from the border of Guatemala to Puerto Castillo on the Caribbean. The completed highway will provide ready access to Guatemala and open up a vast agricultural, mining and industrial area. The road between San Pedro Sula and Tegucigalpa is being paved and provided with bridges, with funds from CABEL and IADB. Cost of this project is approximately \$20 million. An additional \$8 million is tentatively allocated for a highway link with El Salvador. A U.S. contracting firm (Webb) has secured a predominant share of Honduras contracts but this should not preclude Canadian companies from making an approach and from energetically seeking contracts for the projects ahead.

**Nicaragua**—the transportation program includes penetration roads linking Boaco-Chontales-Matagalpa. The San Benito-Rama road (256 kilometers) recently opened was covered by a primary \$2.2 million loan from AID of the U.S. and accordingly engineering and equipment were restricted to U.S. firms. An additional \$3.8 million has also been allotted to this project.

Although Rama, located on the Escondido River, serves as an interim

## Roads and Railways Contacts

### ROADS

Ing. Oscar Castaneda Fernández  
Ministro de Comunicaciones y  
Obras Públicas  
Guatemala City

Sr. Enrique Cuéllar  
Ministro de Obras Publicas  
San Salvador

Sr. Louis Stephan  
Director de Caminos  
Tegucigalpa

Ing. Rodolfo Silva  
Vice-Presidente  
Banco Centro Americano de  
Integración Económica  
Tegucigalpa.

General Francisco Medel  
Director General de Comunica-  
ciones  
Managua

Sr. Eddy Bravo  
Vice Ministro de Transporte  
San José

Sr. Nicanor Villalaz  
Ministro de Obras Públicas  
Comisión de Caminos, Aeropuer-  
tos y Muelles  
Panama, R.P.

### RAILWAYS

#### Guatemala

Mr. J. C. Lesley  
District Manager  
Ferrocarriles Internacionales  
de Centro América  
18 Calle y 19a Avenida, Zone 1,  
Guatemala City

#### El Salvador

Ferrocarriles de El Salvador  
P. Independencia 602,  
San Salvador

#### Honduras

Mr. A. C. Hamilton, Manager  
Tela Railroad Co.  
La Lima, Honduras

Mr. Herman Pascua Leiva  
General Manager  
Ferrocarriles Nacionales de  
Honduras  
San Pedro Sula

Mr. G. T. Feyling, General  
Manager  
Standard Fruit Co. Railway  
(Vaccaro Railway)  
La Ceiba, Honduras

#### Nicaragua

Ferrocarril del Pacifico de  
Nicaragua  
la Av. N.O. y a Calle  
Managua

#### Costa Rica

Mr. Guillermo Lara Bustamante,  
Manager  
Ferrocarril Eléctrico al Pacífico  
Apartado 543,  
San José

Mr. R. C. Johnston,  
Administrative Manager  
Northern Railway Company  
Apartado 1308  
San José

#### Panama

Mr. Donald R. Bryton, Manager  
Railway Division  
Panama Canal Co.  
Balboa Heights  
Canal Zone, Panama

Mr. Rafael A. Galan R.,  
President and General Manager  
Ferrocarril Nacional de Chiriquí  
David City  
Chiriquí, Panama

communication point with the Caribbean (70 kilometers down river), a more direct road to a Caribbean port is considered desirable. This is a pressing need because 70 per cent of Nicaragua's foreign trade is more accessible to a Caribbean port of entry (i.e. Punta Mico near Bluefields) and the Rama road provides the only east-west crossing within a 795-mile section. The UN Special Fund has set aside \$768,000 with a local contribution of \$300,000 to undertake a highway and port survey on the southern Atlantic coast. The port is the major portion of the project.

**Costa Rica**—has allotted \$8.1 million to work on the Inter-American Highway, the largest element in the public sector of the national budget. Proposed feeder roads are planned (\$2.6 million) and the San Ramon highway (\$1.8 million).

Another possible project is a \$14-\$15 million 64-kilometer highway between Sisqueros and Puerto Limon, (foreign content 70 per cent, local 30 per cent) plus a number of bridges. The design work for this venture has apparently been completed.

**El Salvador**—is currently programming a yearly \$25 million highway expansion program; \$23 million has been set aside for 1968 and \$30 million for 1969. A considerable portion represents AID funds, but other agencies (CABEI recently extended a \$10.6 million loan for highways) also periodically come into the picture and offer opportunities that are not tied to specific donor countries.

The first stage of the north trunk road connecting San Salvador with the Honduran border at El Poy has been completed. Only 1,500 kilometers of the 8,000 kilometers of roads are paved. Towards the end of 1967 it was announced that international competitive bids would be invited to cover seven trunk and four feeder roads. A World Bank loan of \$2.8 million will cover part of the cost; the remaining \$20.5 million will be local funds.

**Panama**—has recently finished a road feasibility study under the auspices of AID. Construction contracts were recently opened for \$7½ million in roads financed by the IADB. The final stretch of the Inter-American Highway connecting Panama with the Costa Rican border at La Union has

been completed. However, additional work is still open in the Darien peninsula—with foreign exchange costs borne by AID.

### **Railways Are Deteriorating**

The railways in Central America (4,500 kilometers in 1965) have steadily deteriorated, partly because of the demand for a road system for the extensive use of trucks and automobiles. The railways were primarily developed to connect the banana plantations with the outgoing seaports in an east-west direction. The antiquated system today continues to make use of much obsolete equipment (the steam train is still common here) and has a variety of gauges. At the Mexican border, for instance, trains must unload their cargo because railway cars cannot pass from one side to the other.

Although the railway system is currently in the doldrums, its potential importance in future development is fully recognized. A master Central American railway expansion program has been set up and several Central American countries have already embarked on a modernization program. The Ministers of Economy and Finance of El Salvador have recently

approved a rehabilitation plan that involves the Comision Ejecutiva Portuaria Autónoma in the purchase of diesel locomotives and freight cars to link the Port of Acajutla with the interior. However, developments of this nature during the immediate future will be tied to specific short-haul transportation needs rather than an integrated Central American railway system. El Salvador currently has 350 miles of railway line in private hands (including 26 locomotives) and 50 miles under CEPA. In Guatemala, a private company (subject to serious operating cost problems) is responsible for a 560-mile system.

The major immediate transportation opportunities are clearly linked to highways. Although existing aid and foreign financing programs tend to limit potential Canadian involvement, the scope of the highway development program (and ultimately the railways) should lead Canadian companies to make a major promotion and introductory effort. The list of prime contacts on page 26 will provide a take-off point.

This office will be pleased to provide further support and any required supplementary information.



## **Businessmen Welcome at HemisFair**

CANADIAN businessmen visiting HemisFair '68 in San Antonio, Texas, between April 6 to October 6 will find a special welcome at the Texas International Trade Center. Chairman R. L. Wilkinson hopes many Canadians will visit the center and so give him an opportunity to "reciprocate in kind" some of the hospitality extended to American businessmen during Expo 67 in Montreal.

This is the first time a world's fair has been held in Texas and it is expected to attract industrialists from across the United States and most of the major industrial countries. Countries participating include France, Germany, Italy, Spain, Mexico and Canada.

The aim of the Trade Center is to provide a place where visiting businessmen can meet and talk with other company representatives. Services include a Business Development Section

with bilingual secretaries and personnel to answer and process inquiries, and an Instant Data Section where information about participating manufacturers, their products and suppliers can be obtained. And for that welcome social break, the Texas International Club offers refreshments and an opportunity to relax in a truly Texan atmosphere.

Visitors will find the Trade Center in an ultra-modern, two-storey building adjacent to the fair grounds; its services are sponsored by 2,500 leading business-firms from across the U.S. Information on these companies is displayed in the Trade Center's library.

Canadian businessmen planning to visit HemisFair '68 are invited to write to the Texas International Trade Center, P.O. Box 2678, San Antonio, Texas 78206, for a guest membership. This entitles them to the services of the Center and a free ticket to the fair.

# Mexico in 1967

**Drop in agricultural output affects exports**

**Imports for industrial use large**

**Canadian sales last year \$49.2 million**

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

MEXICO'S ECONOMY made good progress in 1967. The same or even somewhat brighter conditions are forecast for 1968, Mexico's Olympic year. Continued high imports of capital equipment by both the private and public sectors to further industrial expansion are expected. The outlook for agricultural production is good and revenues from agricultural exports should boost over-all exports. The attraction of the Olympic Games to be held in October is expected to give impetus to income from tourism, so important to Mexico's balance of payments. Though the pattern of Canada's exports to Mexico is continually changing, opportunities for Canadian exporters remain bright, particularly for sales of industrial

machinery and equipment and some traditional raw materials.

## **Resisting Inflation**

Gross national product (GNP), at U.S.\$24 billion in 1967, increased 6.4 per cent in real terms, according to the most recent estimate of the Bank of Mexico, the central bank. Though this rate of growth was below that of 1966 (7.5 per cent), it is equal to the average of the years 1960 through 1966. An increase of 7 per cent is expected in 1968. Inflationary pressures pushed prices up by 2.9 per cent in 1967 compared with 1.3 per cent the previous year. The Government, however, has been following an anti-inflationary policy that is considered generally effective, though some observers believe it has acted as a brake on economic growth. Greater activity in manufacturing, which accounts for over 26 per cent of GNP and is the most dynamic sector of the economy, is expected in 1968. Construction, some of it related to the Olympic Games, will be on the upswing during most of the year.

Business conditions in Mexico are, of course, closely hinged to those of its northern neighbor, the United States. In commodity trade alone the U.S. market absorbs over 60 per cent of Mexico's exports and supplies about 65 per cent of its imports. Problems associated with the U.S. balance-of-payments position readily spill over into this country as they do into Canada. Mexico has therefore lost no time in letting the Americans know that if any of the trade restrictions being contemplated are put into effect, they will seriously undermine the country's economic health. During the "gold rush" in late 1967, Mexico's performance in defence of the dollar was superb. In perhaps the most dra-

## **Mexico—The Year in Brief**

**Gross national product**—1966—U.S.\$21.8 billion; 1967—U.S.\$24 billion.

**Index of industrial production**—1966—186; 1967—196 (3rd quarter); 1958—100.

**Unemployment**—250,000.

**Income per capita**—1966—U.S.\$491; 1967—U.S.\$525.

**Foreign exchange reserves**—1966—U.S.\$478 million; 1967—U.S.\$590 million.

**Total exports**—1966—U.S.\$1,192 million; 1967—U.S.\$1,148 million (est.).

**Total imports**—1966—U.S.\$1,605 million; 1967—U.S.\$1,749 million (est.).

**Balance of trade**—1966—deficit of U.S.\$413 million; 1967—deficit of U.S.\$601 million.

**Balance of payments**—small surplus.

**Canadian exports to Mexico**—1966—Cdn.\$52.1 million; 1967—Cdn.\$49.2 million.

**Canadian imports**—1966—Cdn.\$33.5 million; 1967—Cdn.\$29.5 million.



Drums of Canadian powdered milk for Mexico are shown going aboard ship. Level of exports to that country is expected to remain the same but, as local industry grows, the mix of products will change.

matic economic event of the year, all of Mexico's gold reserves of U.S. \$260 million were made available to all comers. The "come and get it" call shocked gold buyers into tranquillity and squelched rumours that the peso was about to be devalued. The result was that the peso came through stronger than ever and expressions of gratitude were received from north of the border for Mexico's daring policy.

Though final trade figures for 1967 are not yet available, preliminary estimates reveal that imports rose 9 per cent and exports declined by 3.8 per cent, as the table shows.

### Agricultural Production Down

The commodity trade deficit of U.S. \$601 million was the largest in a decade and resulted mainly from stepped-up imports by the Government, its agencies and industries on the one hand, and the falling-off of agricultural exports on the other.

### MEXICO'S FOREIGN TRADE

|                  | 1965                 | 1966  | 1967  | Change<br>1966 over 1965<br>(per cent) | Change<br>1967 over 1966<br>(per cent) |
|------------------|----------------------|-------|-------|--|--|
|                  | (millions of U.S.\$) |       |       |  |  |
| Imports          | 1,560                | 1,605 | 1,749 | + 2.9                                  | + 9.0                                  |
| Exports          | 1,114                | 1,192 | 1,148 | + 7.1                                  | - 3.8                                  |
| Balance of trade | -446                 | -413  | -60t  | - 7.4                                  | -45.7                                  |

Source: Department of Industry and Commerce, Mexico City.

### Canada's Top Ten Exports to Mexico

| Item                          | 1966         | 1967   |
|-------------------------------|--------------|--------|
|                               | (Cdn.\$'000) |        |
| Newsprint                     | 9,939        | 10,176 |
| Railway rails                 | 7,845        | 6,766  |
| Plastic and synthetic rubber  | 5,679        | 1,392  |
| Motor vehicle parts           | 3,244        | 2,754  |
| Asbestos milled fibers        | 3,230        | 4,703  |
| Railway track material        | 3,076        | 1,019  |
| Aluminum fabricated materials | 1,621        | 1,604  |
| Combine reaper-threshers      | 1,360        | 1,025  |
| Purebred dairy cattle         | 1,088        | 1,283  |
| Motor vehicle engines         | 785          | 227    |

Source: DBS

### Canada's Top Ten Imports from Mexico

| Item                                 | 1966         | 1967  |
|--------------------------------------|--------------|-------|
|                                      | (Cdn.\$'000) |       |
| Raw cotton                           | 9,46t        | 4,177 |
| Fresh tomatoes                       | 6,38t        | 6,744 |
| Green coffee                         | 2,220        | 2,545 |
| Frozen strawberries                  | 1,920        | 1,918 |
| Fluorspar                            | 1,572        | 2,016 |
| Baler twine                          | 962          | 1,049 |
| Shrimps and prawns, fresh and frozen | 802          | 669   |
| Peanuts                              | 764          | 513   |
| Cantaloupes and melons               | 759          | 866   |
| Sisal                                | 707          | 282   |

Mexico depends on agriculture as the chief earner of foreign exchange: of the ten leading export commodities, all but two are farm products. They are, in order of importance: raw cotton, coffee, sugar and molasses, non-ferrous metals (zinc, lead and copper), shrimp, beef cattle and fresh and frozen meat, silver, tomatoes, wheat, and corn. Agriculture suffered a double setback in 1967 because of weather. After a prolonged crop-damaging dry spell, hurricane Beulah brought torrential rains and floods which wrought havoc in the richest farm areas. However, Beulah did have beneficial side effects: dams and reservoirs are now full and 1968 crop prospects are promising.

### Import Policy

Almost half (46.2 per cent in 1966) of Mexico's imports can be classified as capital goods, comprising such products as machinery, equipment, commercial vehicles, spare parts and tools, construction and installation materials, and agricultural investment goods such as breeding cattle. In this group, machinery and equipment are by far the most important. The second most important group is non-durable production goods (that is, raw materials), and accounts for over one-third of total imports. Consumer goods, including non-durables and durables such as automobiles and related spare parts, make up the third and smallest import group (less than 20 per cent of the total).

The de-emphasis on consumer goods is deliberate. For a number of years Mexico has been following a policy of replacing imports with locally manufactured goods and now produces over 90 per cent of the consumer goods offered for sale in the country. Many new plants are continually being established to supply not only consumer goods but production and capital goods as well. An ad hoc system of import controls is maintained to encourage local manufacturing and, at the same time, conserve foreign exchange for essential purposes. The controls take the form of high import duties or import licences or both. New industries are assured of full protection from international competition, at least initially. Many foreign companies (including a few Canadian), encouraged by Mexico's economic and

political stability, have taken advantage of this protective umbrella. Though Mexico wants direct foreign investment, rigid rules must be followed. The foreign investment route, as opposed to exporting to Mexico, is not the easiest one to take. However, with protection guaranteed, no restrictions on foreign exchange transfers, and the prospect of high profits, the level of foreign investment rises each year.

The cornerstone of Mexico's foreign investment policy is "Mexicanization". That is, at least 51 per cent of the investment in an enterprise should be Mexican-owned. Although this is not an across-the-board requirement, those foreign firms which subscribe to it find that their operations are facilitated. In any type of joint venture one of the most important ingredients is a knowledgeable Mexican partner.

In 1967 new direct foreign investment amounted to about U.S.\$220 million, compared with U.S.\$186 million in 1966. The Government also has had no difficulty in obtaining foreign credits. It is estimated that in 1967 the Government and its agencies contracted about U.S.\$650 million of new foreign debt. In addition to obtaining bilateral loans and credits, bond issues in the European market have been highly successful. Foreign confidence in Mexico, and particularly in the peso, is high.

### LAFTA Trade Small

Although Mexico is a member of the Latin American Free Trade Association (LAFTA) both imports from and exports to members of the Association remain low. During 1967 imports from LAFTA totalled U.S.\$38 million compared with U.S.\$34.7 million in 1966, an increase of 10.7 per cent. Exports, on the other hand, decreased by 11 per cent—from U.S.\$64 million in 1966 to U.S.\$57 million in 1967. It is interesting to note that Mexico's exports to the whole of LAFTA just about equal Canada's total exports to Mexico. The common list of goods which carry little or no import tariff has grown long with non-essential items but most members appear reluctant to include important items which carry protectionist tariffs. Until agreement is reached on important matters such as this, LAFTA would appear to face difficulties in be-

coming an effective regional trading organization.

Exports from Canada to Mexico in 1967 totalled Cdn.\$49.2 million, about the same as in 1965. Our major exports in 1966 and 1967 are set out in the table on page 29.

Mexico's sales to Canada have normally shown some increase in the last few years. In 1967 they reached Cdn.\$29.5 million, compared with \$33.5 million in 1966 and \$27 million in 1965. The table on page 29 lists major imports in the calendar years 1966 and 1967.

With industrial development continuing on the upswing, more of Mexico's imports will be replaced by locally-manufactured goods. The "mix" of our exports to this market will also continue to change, although the over-all level is expected to remain at about Cdn.\$50 million over the next year or so, with perhaps a modest increase. The best opportunities for Canadian exporters will continue to be concentrated in the areas of capital goods, industrial machinery and components, and many types of raw materials required for Mexico's industrial infrastructure.

Mexico City, the commercial hub of the country, is only a four-hour flight from Canada. A personal assessment of the market for your products requires only a small expenditure of time and money. (See "Your Business Visit to Mexico" in *Foreign Trade*, October 28, 1967.) Why not try it?

### Exporting?

In planning export shipments, keep in mind the advantages of unitization. By binding a load of merchandise to a pallet with steel strapping or reinforced tape, you can reap the advantages that unitization provides. Wooden pallets are the most common and some of the ones used now are considered expendable. But make sure that the binding is well done and the palletizing efficient to avoid damage from the movement of the ship and the constant vibration.

# There's a Market in Monterrey

... for machinery and equipment used by its big industrial complex, with a total investment of over U.S.\$1.2 billion.

A. D. McARTHUR, *Assistant Commercial Secretary, Mexico City.*

MONTERREY, capital of the state of Nuevo Leon and second most important industrial center in Mexico, will not be resting on its laurels in 1968. Already the home of some 5,400 small, medium and large industrial firms, it expects more this year.

The fact that this city is called the "Pittsburgh of the South" really refers to only one of its many industries. In addition to steel, Monterrey has chemical, beer, glassmaking and cement industries that are among the largest in the country.

Monterrey is credited with having Mexico's most advanced industrial structure—one that revolves around the industries mentioned above and related ones that these have created. With a labor force of about 130,000, Monterrey's industries have annual payrolls exceeding U.S.\$80 million. Recent statistics indicate that accumulated industrial investment per capita in the city is second in the country (behind the Federal District) although the population is only about one-sixth that of the Mexico City area.

Monterrey's industrial history began in 1890 when a group of prominent citizens decided to build a brewery. From a modest initial output of 1,500 litres a day, the brewery now produces millions of litres at the original location and also in eight other Mexican cities.

Another industry played an important role in the development of Monterrey. Fundidora de Fierro y Acero de Monterrey, founded in 1900, is now Mexico's second largest steel producer and this year will have a capacity of almost one million tons. Other important industries include chemicals, paper, cement, automotive components, trailer trucks and passenger buses.

Except for natural gas, Monterrey does not have an abundance of natural resources. Raw materials for its steel mills, for example, must be brought in from other areas. Minerals are shipped from the states of Durango, Zacatecas, San Luis Potosí and Jalisco. Coal must come from Coahuila. And Monterrey faces a growing water problem. Its only river is nothing more than a dry creek bed.

To improve this situation, the Nuevo Leon State Government, in conjunction with the Federal Hydraulic Resources Ministry, has begun negotiations which, if successfully completed, would mean a U.S.\$40 million long-term low-interest loan for Monterrey to expand its water supply. The credit would be granted by the Inter-American Development Bank and the U.S. *Alliance for Progress*. Basically, it would finance an installation so that Monterrey could tap part of the supply of the Amistad Dam, now under construction on the Mexican/U.S. border northwest of the city.

The water is needed not only for existing and new plants but also for the increasing population. With a current population of one million and an annual growth rate of over 6 per cent, the demand for potable water in Monterrey is substantial.

In spite of these problems, its industrial leaders have confidence in the city's ability to succeed with a minimum of outside assistance.

## Moving into Other Areas

Monterrey's industry is not content just to stay in that city. Celulosa y Derivados, which occupies a leading position in chemical fibers in Mexico, recently completed a plant for the manufacture of acrylic fibers in Guadalupe; Hojalata y Lámina, which developed the now famous sponge-

iron process by which iron ore is converted into pig iron using natural gas, has established a plant in Puebla; Compañía General de Aceptaciones, a finance organization which has contributed heavily to the industrialization of Monterrey, has extended its operations to Mexico City and the states of Jalisco and Veracruz.

One reason for this expansion and for the progressive nature of Monterrey's business is the modern approach of its industrial leaders to the problems of productivity and profits. Many of the more prominent executives are graduates of the Monterrey Technological Institute which was built and financially underwritten by Monterrey industry.

Monterrey's industry also finances a number of training centers which provide instruction for about 2,000 persons per year. The courses offered are mainly to prepare unskilled workers for skilled jobs in industry.

## Incentives Offered

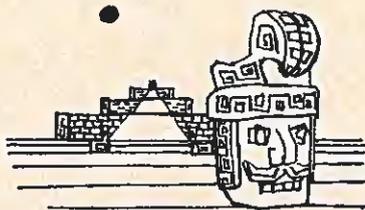
Much of Monterrey's past growth has been due to happenstance but little is today being left to chance. In July 1965, Nuevo Leon amended its Law for Industrial Promotion and Economic Development and started on a ten-year plan for sponsoring manufacturing and for researching problems affecting economic growth.

New industries are now given a 25 per cent reduction on state income tax for five years and total exemption from certain other taxes pertaining to real estate and registry. Reductions on income taxes can be as high as 75 per cent, depending upon the type of industry.

Industrialists and businessmen have joined the municipal and state governments to form a Commission for Industrial Promotion and Economic Development (COFIDE) which studies

development projects, publishes periodicals on the state's industrial potential and growth, offers specific investment plans, and maintains contact with other national and international groups.

Some of the growth factors that contribute to the development of Monterrey are communications, electrical energy, gas and a substantial tourist income. Roads, railways and air transport connect the city with major agricultural and industrial areas in Mexico and in Texas. Private and public plants generate more than 2 billion kwh. of electricity each year and three pipelines from Matamoros and Reynosa supply natural gas.



It is estimated that tourists contributed at least U.S.\$12 million to Monterrey's economy last year. With the Olympics in Mexico this year, the city will undoubtedly benefit from increased tourist traffic and spending.

Looking towards other markets, Monterrey industrialists have been working seriously to increase exports, principally to Latin America and the southwestern United States. Among the leading exports are steel tube, ceramic tube, regenerated cellulose film, passenger buses, cameras, and glass. Total exports from the Monterrey area last year reached U.S.\$74 million.

For Canadian exporters, particularly of capital equipment, this is a market that has hardly been touched. The steel, chemical, paper and beer industries in particular are consistently large purchasers of machinery and equipment. At present they look mainly to the United States and Europe as sources of supply. So far, Monterrey businessmen have had little contact with Canadian suppliers. On your next business trip to Mexico, why not make it a point to visit Monterrey and investigate opportunities there?

# Have You Tried This Mexican Market?

Just over the Californian border lies the main Mexican free zone. Although trade there is not quite as free as it used to be, there are still advantages for the Canadian exporter who looks for them.

G. E. BELANGER, *Commercial Assistant, Mexico City.*

HAVE YOU ever heard of the free trade zones in Mexico? If not, perhaps I can encourage you to test this market for your products.

The most important free trade zones are in northwest Mexico and include part of the state of Baja California, the northwestern part of the state of Sonora, and the territory of Baja California. There is a less important free zone in the territory of Quintana Roo in southeastern Mexico adjacent to British Honduras.

The Government established the free zones in 1933 to assist residents of remote areas who were unable to obtain supplies from production centers in the interior of Mexico, such as Mexico City, because of distance and inadequate transport. The Baja California free zone, for example, is on the U.S. border and some 1,900 miles from Mexico City.

## Free Zone Cities

Several major cities are focal points of commerce in free zones. The most important are Mexicali, Tijuana and Ensenada.

**Mexicali**, capital of the state of Baja California, is in the Mexicali Valley, which is an extension of the Imperial Valley of California. Its population of 367,000 makes it the country's seventh city. The surrounding area is flat, hot and arid; a mountain range forms the western boundary. The valley's economy is primarily agricultural: it produces a quarter of Mexico's cotton and substantial quantities of wheat, alfalfa and barley. Trade with the United States helps to make this one of the most prosper-

ous regions of Mexico. Its industries include 35 cotton gins, three cottonseed oil mills, several fertilizer and insecticide plants, two flour mills, a large brewery, seven bottling plants, a truck assembly plant, food-processing industries, and machine shops. Earnings from American tourists play a secondary role in sustaining the economy of the Mexicali Valley.

**Tijuana** has a population of 366,000 and is the principal tourist city on the California/Mexico border. The area round about is semi-desert and mountainous, with some fertile valleys along the Pacific coast. Rainfall averages less than 15 inches a year. Olives, grapes, wheat, potatoes, tomatoes and peppers are the major crops. The principal industrial products are cement, canned and frozen fish products, beer, wine, cigarettes, coffee, flour, canned vegetables, and lumber. The largest single industry is tourism. Each year Tijuana receives some 15 million visitors from across the border who spend an estimated U.S.\$150 million.

**Ensenada** is the main port of the state of Baja California and has a population of 77,000. Cotton from the Mexicali Valley is the principal export. There is sport fishing, and boat building and boat repairing are carried on. Fish and vegetable packing plants are located in the vicinity.

Mainly because the United States is "just across the street", the cities in the free zone enjoy a higher standard of living and prosperity than other parts of Mexico. For example, the per capita gross product for the state

of Baja California in 1965 was U.S. \$768 compared with the national average of U.S.\$480.

### There Are Restrictions

Originally almost any product could be brought into Mexico's free zones duty-free for local consumption or for further processing. However, over the years the import of many goods, particularly consumer products, has been restricted as similar products have become available from the interior of Mexico at competitive prices. Also, industries making consumer goods have been established in the free zones. Imports may be restricted by duties going as high as 100 per cent ad valorem or by placing goods under import licence control; in some instances, a combination of both is used. Fairly recently it was announced that most articles of men's clothing and women's hosiery could no longer be brought into the free zone duty free. Both rulings are now being reviewed at the insistence of the Chambers of Commerce of Tijuana and Mexicali because many retailers' business depends on the sale of imported brand-name merchandise. If the imported products are not available in the free zone, local residents will buy them on

the other side of the border. Sales to tourists would also drop because prices in the free zone have been lower than in neighboring California.

In 1966, imports into the free zones amounted to U.S.\$125 million, 8 per cent of Mexico's total imports of U.S. \$1,605 million. Imports into Mexicali that year totalled U.S.\$46.5 million, into Tijuana U.S.\$49.8 million and into Ensenada U.S.\$6.6 million. These three cities alone accounted for 80 per cent of all free zone imports.

### What to Sell

The principal suppliers to the free zones in 1966 were the United States (U.S.\$105 million); Japan (U.S.\$6.6 million); Panama (U.S.\$2.5 million); France (U.S.\$2 million); West Germany (U.S.\$1.7 million); Belgium (U.S.\$1.1 million); and Austria (U.S. \$1.1 million). Italy, Hong Kong and Britain each exported just under U.S. \$1 million. Canada, although a relatively close neighbour, exported goods worth a mere U.S.\$142,000 in 1966. The United States is the largest supplier because of proximity and the overspill of TV advertising and other publicity which creates a demand for U.S. products.

The list of principal imports gives a good indication of what Canadian exporters should be trying to sell (see table).

Last fall I visited the free zone of northwest Mexico to explore sales opportunities for Canadian products and was in touch with about a hundred import firms and manufacturers' representatives. The great majority expressed interest in receiving offers from Canada. Good contacts were established for the sale of fur garments, clothing, feeds, marine supplies, hardware, and automotive parts. There is an attractive market for quality clothing lines, woollen and synthetic textiles, soft goods, lumber, specialty marine plywood, and paper and paper manufactures.

### Be Flexible

Exporters wanting to sell to the free zone should be prepared to consider small lots; most wholesalers and distributors like to order supplies for about a month at a time. They can do this because San Diego, Los Angeles and other areas of southern California are so close. Quotations should be in

U.S. dollars. For the Tijuana and Ensenada areas, prices should be quoted f.o.b. San Ysidro, California, and for the Mexicali area, f.o.b. Calexico, California. Ocean shipments from Canada's West Coast to the port of Ensenada should be quoted c. & f. or c.i.f. Bear in mind that price is an important factor but if firms in the north-eastern United States can sell to the free zone, many Canadian firms should also be competitive. (Electric current in northwest Mexico is 60-cycle a.c. 120/240 volts, similar to Canada and the United States, which helps.)

When you plan a business visit to the southwestern United States, it would be worth including a side trip to Mexico's free zone. Spanish is the official language of Mexico but most businessmen in the free zone speak English because of constant contact with Americans. In good time before your trip tell the Commercial Division of the Canadian Embassy in Mexico City; it will be pleased to recommend potential buyers or agents in the free zone. Another useful source of help is the Commercial Division of the Canadian Consulate General in Los Angeles, which has been supplied with information useful to potential exporters because Los Angeles is so close to Mexico's free zone.

## Mexico Plans Road Improvements

THE Mexican Government, through its Secretariat of Public Works, is undertaking a major project for building new roads and improving existing ones. The total cost is estimated at \$76.2 million and the completion of the project is scheduled for late 1971.

The foreign exchange component of \$27.5 million will be financed by a loan from the World Bank, and the remaining costs will be met by the Mexican Government.

The works involved include the reconstruction and resurfacing of three primary roads totalling 150 miles, the improvement of four tertiary roads with a total of 550 miles, and construction of a new 41-mile primary road.

The Secretariat of Public Works is responsible for the planning, construction and maintenance of the road network. Nearly all contracts for the work will be open to international bidding. ●

### WHAT MEXICO'S FREE ZONES IMPORT—1966

|   | U.S.\$'000 |
|---|------------|
| Automobiles, tractors and parts                 | 16,800     |
| Mechanical machinery                            | 14,780     |
| Footwear and clothing                           | 14,328     |
| Iron and steel (basic)                          | 10,720     |
| Electrical machinery                            | 6,368      |
| Paper and paper manufactures                    | 4,880      |
| Perfumes, lotions, cosmetics and essential oils | 3,144      |
| Lumber and wood manufactures                    | 2,900      |
| Evaporated milk                                 | 2,650      |
| Fresh vegetables and fruit                      | 2,532      |
| Automotive parts and accessories                | 2,000      |
| Anhydrous ammonia                               | 1,920      |
| Animal and poultry feeds                        | 1,880      |
| Chemicals n.o.p.                                | 1,400      |
| Cereals and grains                              | 1,050      |
| Optical, scientific and medical equipment       | 1,048      |
| Fertilizers                                     | 1,040      |
| Leather, hides and leather manufactures         | 787        |
| Tools, hardware and cutlery                     | 728        |
| Purebred dairy cattle                           | 448        |

Source: Department of Industry and Commerce, Mexico City.

## If You Can't Export to

## Mexico . . .

Investigate licensing agreements, joint ventures, or even setting up a branch plant.  
One of these may be the answer to your problem.

AS an economic unit, Mexico represents an attractive opportunity for companies interested in international markets. Here is a country with a population of more than 44 million and a gross national product of more than U.S.\$21 billion, increasing at an average annual rate of more than 6 per cent. Relatively free from inflation, with price increases of less than 3 per cent in 1966 and a similarly modest increase last year, it has a stable currency backed by impressive reserves and no restrictions on convertibility or transfer. And it is only 4½ hours by jet from Toronto.

1966 private investment in Mexico exceeded U.S.\$200 million and for the period between now and 1970 private investors will be counted on for some U.S.\$15 billion. Many Canadian companies have both the experience and the capital to share in Mexico's development and to realize attractive returns on their investment. If you have a product unique in design and application, why not give some thought to having it made in Mexico?

### Domestic Market Protected

Before explaining the various ways in which this can be done, I must emphasize the following points. Once a product is manufactured in Mexico, even when the Mexican content is not particularly high, the Mexican Government is sympathetic to offering considerable tariff protection. In addition to being subject to high tariffs, in most instances products like those manufactured locally are subject to import licensing. And an import licence is granted only after approval by an import licence committee on which the local manufacturer sits.

Though the attitude of the Mexican Government might change in time, this is not likely to happen in the near future. Any manufacturer setting up here is assured of tariff protection which in turn results in high profits and an attractive return on investment. In addition to this tariff protection, there are tax incentives, land is comparatively cheap, and labor is abundant and inexpensive. In addition, Mexico has enjoyed for many years political and economic stability. As a leading member country of LAFTA, products of Mexican manufacture in many instances are given tariff preferences from other members of LAFTA.

As a guide to products that the Mexican Government is particularly anxious to have manufactured domestically, the Mexican Department of Industry published in 1962 a list of 450 which they felt should and could be made here. By 1965 some 391 of these items were being turned out in Mexico. Because the first campaign was so successful the Department of Industry and Commerce last year issued a new list of 370 items which the Government felt should be manu-

Canada's sales to Mexico in 1967 totalled more than \$49 million and included a host of products, although five major ones accounted for more than 50 per cent of the total. These were newsprint, railway rails, plastic and synthetic rubber, road motor vehicle parts, and asbestos milled fibers. Despite this impressive total, prospects for the export of manufactured goods from Canada and other non-LAFTA countries to Mexico are, in our opinion, not encouraging. Mexico's rapid industrial development and the policy of levying higher tariffs on imported goods similar to those produced in the country make it increasingly difficult to sell manufactured goods to Mexico. The exception is sophisticated products that require an unusually high degree of specialized engineering and knowhow.

Does this mean that Canadian manufacturers should write off Mexico? It does not. It means that Canadian manufacturers should take advantage of the policy of the Mexican Government and of the country's rapid advance as an industrial nation.

Mexico needs technology and it needs and welcomes foreign investment—under certain conditions. In

factured in Mexico. This list can be obtained from our office.

### Three Approaches Possible

Three approaches are possible for a Canadian company wishing to manufacture its product here.

**1. Licensing Agreement**—If you are not interested in investing in Mexico and if you have a unique product or process relatively easy to manufacture, you might consider selling your know-how through a licensing agreement. This has been done successfully by a few Canadian companies and by many from other countries. There are a variety of methods but the most common approach involves the sale of drawings and design, the training of local personnel, and the receipt of a royalty for a fixed period of time on a minimum annual sales volume, with the royalty reduced on sales in excess of the mutually acceptable minimum volume.

There are many companies in Mexico with excellent manufacturing facilities and a capable sales force but a shortage of knowhow to enable them to make full use of their facilities. They represent an important market for the sale of knowhow.

**2. Joint Venture**—This of course means investment by a Canadian firm either in an existing Mexican company or in the formation of a new one. In some fields, generally those involving non-renewable natural resources such as mining, the Mexican Government insists that the foreign partner hold a minority interest and in all fields this is preferred. It does not, however, insist on this necessarily in secondary manufacturing. The investment of a Canadian company in a joint venture can often be made up largely of amortized equipment which may be obsolete in Canada but perfectly adequate for the Mexican market at its present stage of development. Therefore, the equity of a Canadian company in a joint venture can often be obtained without the outlay of large amounts of capital.

A joint venture often allows a foreign company to export a considerable quantity of component parts until the size of the Mexican operation justifies manufacture in this

country. To obtain permission to import component parts, a local company must present a schedule showing its plans to increase Mexican content but the Government has pursued a realistic policy on this. In addition to the import of component parts, a local manufacturer is usually able to import completed items to round out his line of locally manufactured goods. Therefore, a joint venture is often a means of exporting not only component parts but low-volume completed items not worth manufacturing in Mexico.

It is only fair to add that, in considering the possibility of a joint venture or a licensing agreement in Mexico, Canadian companies should examine carefully the tax situation and the complicated legal procedures that are involved. There are, however, many excellent legal firms in Mexico which can offer advice on these matters and we would be pleased to make appropriate introductions.

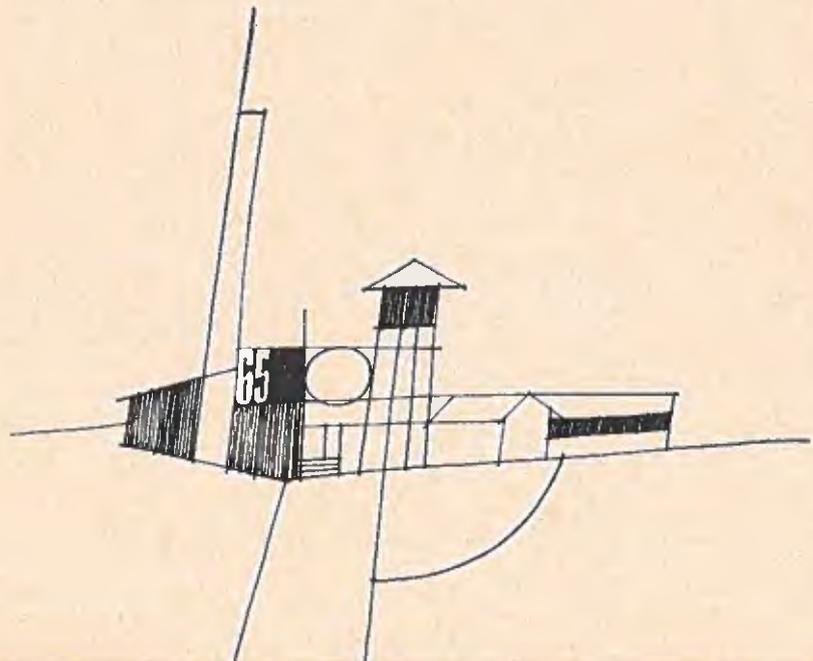
**3. Wholly-Owned Subsidiary**—This is the least desirable in the eyes of the Mexican Government and in the long run is probably the least desirable for a Canadian company. Given the need to have an intimate knowledge of the country and the dependence of any local company on the government for a host of things, it is desirable to have Mexican partners in any manufacturing operation. It should also be remembered that the Mexican Government and its decentralized agencies are together a most impor-

tant customer for a wide variety of products.

### First Steps

If we have convinced you that you should explore these possibilities, what next? Write to us, telling us of your interest and sending complete details on your product. We will advise you whether there is a market for it here and whether a similar Mexican product is being manufactured. If conditions appear favorable, we will contact potential partners for you here. Once we have located interested and, in our opinion, suitable firms, we will ask you to get on a plane, come down and, with our help, investigate the possibilities of having your product manufactured in Mexico.

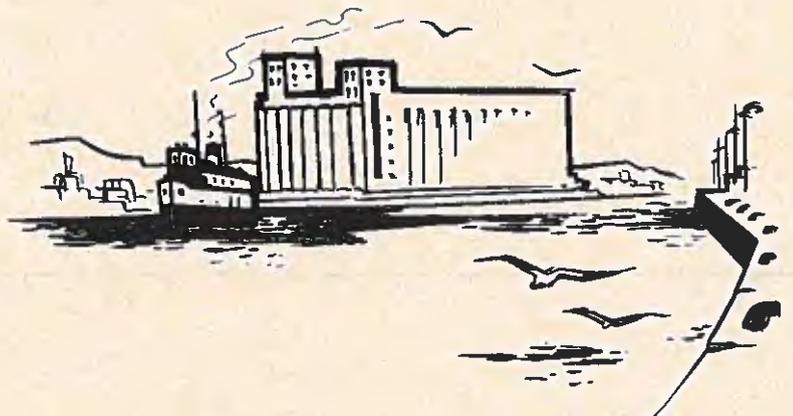
There are at least ten Canadian companies engaged successfully in one type or other of the operations listed above in such diverse fields as mining, the manufacturing of wire and cable, agricultural implements, electrical apparatus, synthetic rubber, steel, automotive parts and alcoholic beverages. We appreciate fully the great advantages derived from the export of completely manufactured products but we also believe it would be short-sighted to expect to be able to export completed products indefinitely to a developing country such as Mexico with its current tariff policy. We believe it would be to your advantage to consider an operation which will enable you to export knowhow and component parts and to earn dividends and profits.



# Shipping Services from Canada to Central America, Panama and Mexico

| TO                      | From Pacific Coast  | From Great Lakes | From St. Lawrence and Atlantic   |
|-------------------------|---|------------------|--|
| <b>BRITISH HONDURAS</b> | "K" Line<br><i>(Johnson Walton Steamships Ltd., Vancouver)</i>  |                  | Shaw Steamships Co. Ltd.<br>Halifax<br><i>(Irregular service to the Caribbean area subject to cargo inducement)</i>  |
| <b>COSTA RICA</b>       | Grancolombiana Line<br><i>(Balfour Guthrie &amp; Co. Limited, Vancouver)</i><br>Grace Line<br><i>(C. Gardner Johnson Ltd., Vancouver)</i><br>"K" Line |                  |  |
| <b>EL SALVADOR</b>      | Grancolombiana Line   |                  |  |
| <b>GUATEMALA</b>        | Grancolombiana Line<br>Grace Line   |                  |  |
| <b>HONDURAS</b>         | Grace Line<br>"K" Line  |                  |  |
| <b>MEXICO</b>           | Westfal—Larsen Line<br><i>(Empire Shipping Co. Ltd., Vancouver)</i><br>Grace Line   |                  | *Mexicana de Vapores Line<br><i>(B &amp; K Shipping Agency, Montreal, Toronto)</i>   |
| <b>NICARAGUA</b>        | Grancolombiana Line<br>Grace Line   |                  |  |
| <b>PANAMA</b>           | Fern—Ville Caribbean Line<br><i>(Dingwall Cotts &amp; Co., Vancouver)</i><br>Grancolombiana Line<br>Grace Line<br>"K" Line                            |                  | Grancolombiana Line<br><i>(United Liners Agency, Montreal; Furness Withy &amp; Co., Toronto)</i><br>West Coast Line<br><i>(Saguenay Shipping Limited, Montreal; A. O. Minshall Co. Limited, Hamilton, Toronto)</i> |

\*To date no definite schedule of sailings has been established for the 1968 season.



# New Look for Jamaica

Planned redevelopment will change the face of Kingston's waterfront and move industry out to satellite towns and suburbs. Tourist facilities will be enlarged at Montego Bay and Ocho Rios. Private enterprise projects provide the best opportunities for exporters.

P. HO FATT,  
*Commercial Officer, Kingston.*

IN OCTOBER 1966, the Jamaican Government announced that it would set up an Urban Development Corporation to put into effect an over-all plan for urban development throughout the island. At about the same time, a British firm of consultants was engaged to plan the redevelopment of downtown Kingston. Approximately 80 per cent of the cost of these planning services is being provided by the British Ministry of Overseas Development.

In February 1967, the Kingston Waterfront Redevelopment Company (which will be taken over by the UDC when it comes into being) was formed by the Jamaican Government to do the initial work for a project to renew the entire Kingston waterfront. This is to cost approximately \$180 million and will create a modern commercial, cultural and entertainment complex. The Kingston Redevelopment Company has now acquired virtually all the land in the present waterfront area; some of it was purchased outright but most was obtained from the landowners in exchange for lots in the newly built-up areas of Newport West and Newport East. The land in the development area will be sold or leased by the Government to approved private investors.

## Face-lift for Kingston

A well-known firm of British developers has agreed to buy approximately 400,000 square feet of land in the Kingston development area and to spend between \$24 million and \$30 million on various projects over the next five years. The British firm

intends to build a 400-room convention hotel, a 200,000-square-foot office block with a heliport on the roof, two apartment hotels with 150 apartments each, a department store and a parking garage to hold 1,000 cars, and a shopping area with restaurants, cafés and night clubs.

Other projects which are part of the over-all development plan for downtown Kingston include a new highway along the entire length of the waterfront, a new pier, a cultural center, more shopping areas and apartment blocks, an amusement center and a six-storey parking garage (estimated to cost \$1.5 million).

The redevelopment of the Kingston waterfront is part of a much bigger scheme for the reconstruction of the entire foreshore. A total of 345 acres of land will be reclaimed at Newport West and Newport East which will form the new industrial and commercial hub of Kingston. So far, 100 acres at Newport West and 50 acres at Newport East have been reclaimed. Sixteen new piers will be built—eleven at Newport West and five at Newport East—to replace the present wharves in downtown Kingston which are being phased out. Seven piers have already been completed at Newport West close to the industrial estate and one has been begun at Newport East; several commercial and industrial organizations have moved to the Newport area and many others are planning to do so.

## Portmore and Montego Bay

Work has also begun on two other reconstruction projects on the western shore of the present development area.

● One, the \$90 million Portmore project, which will involve the re-

clamation of 220 acres of land in the Dawkins Pond area adjacent to western Kingston and the building of an island and peninsula between Newport West and Port Henderson.

● Two, the building of a \$3 million causeway to stretch across the harbor from Newport West to Fort Augusta (already started and now over 3,200 feet long); the development of 2,200 acres in southeast St. Catherine; the construction of a new town of Portmore and the building of 30,000 housing units for 150,000 people. Flood control on the Rio Cobre is estimated to cost \$6.6 million and will back up the Portmore development project by removing the danger of flooding in the low-lying coastal area. The Portmore project is being financed entirely by private capital; the Rio Cobre flood control scheme is being undertaken by the Jamaican Government.

In addition, negotiations are continuing for the restoration of the ancient city of Port Royal as a major tourist attraction on the eastern shoreline of the city. A study is also being conducted on the feasibility of opening up the extensive Hellshire Hills area as a tourist resort to the west of Kingston. Hellshire will eventually be developed with Portmore as a twin city to Kingston and will have its own civic, commercial, industrial and residential areas.

On the north coast of Jamaica, work is now in progress on the \$30 million Montego Bay free port project which will involve the reclamation of approximately 500 acres of land, dredging the Montego Bay harbor basin, the construction of a deepwater pier and, later on, schemes for a complex of housing, commercial and industrial developments.

## Expanding Ocho Rios

Besides development projects for the urban areas of Kingston and Montego Bay, there is a scheme for Ocho Rios, estimated to cost nearly \$20 million. Ocho Rios, like Montego Bay, is a major resort area on Jamaica's north coast. An Ocho Rios Development Company, similar to the Kingston Waterfront Redevelopment Company, has been formed and will proceed immediately with a basic improvement plan which includes the dredging of the Bay of Ocho Rios; reclamation of the beach front; construction of a seaside promenade; drainage, and road improvements. The first stage of the project the company itself will undertake at an estimated cost of \$1.5 million. The next stage will be the development by private investors of hotels, motels, tourist cottages, shop-

ping facilities, restaurants, clubs and other tourist type amenities. A total investment of about \$18 million is envisaged for the second phase.

Work on the Ocho Rios redevelopment project is expected to begin with dredging in February 1968 and it is anticipated that the first phase will be completed by about the middle of the year. Investors have already shown considerable interest in this project which will give a new shine to one of Jamaica's most attractive resort areas.

### Opportunities for Canadians

Although the architectural planning and consulting engineering services required by both the Kingston and Ocho Rios Redevelopment Companies have already been contracted for, there may be some opportunities for Canadian participation in projects being financed by private enterprise, es-

pecially if any Canadian capital is involved. Canadian contractors with local affiliates should be eligible to tender on the construction work which will be done by the redevelopment companies.

There should also be good possibilities for Canadian suppliers of construction materials and equipment, particularly concrete mixers, chemical specialties, metal pipes, reinforcing steel and, at a later stage, metal hardware, plumbing supplies, hotel furnishings and equipment.

Canadian firms interested in investigating prospects for their goods or services in these redevelopment projects should contact the Commercial Secretary at the following address: Office of the High Commissioner for Canada, Commercial Division, P.O. Box 1500, Kingston 10. He will be glad to supply further information. ●

# foreign tariffs and trade regulations



## Britain

**DOCUMENTATION FOR FISH AND FISH PRODUCTS**—At the request of British Customs, the Department has recently revised its leaflet on the subject of Commonwealth Preference certificates of origin for fish and fish products. The revised leaflet contains several changes of an explanatory nature but the requirements themselves have not been changed. Copies of the revised leaflet may be obtained on request from the Commonwealth Division, Office of Trade Relations.

**TARIFF ON MADE-UP TEXTILE GOODS CONTAINING SILK OR MANMADE FIBER**—British Customs have issued a notice drawing attention to the Kennedy Round tariff changes which will include a change in the basis of charging duty on certain textile products—mainly textile garments and other made-up textile goods—containing silk and/or manmade fibers.

At present the rates of duty for such goods vary according to the percentage value of the silk and man-

made fiber components. After the change, the rates will vary according to the percentage weight of such components. It is anticipated that legislation will be introduced to make this change effective as from July 1, 1968.

## Canada-Romania

**TRADE AGREEMENT SIGNED**—On March 22, 1968, the Minister of Trade and Commerce, on behalf of the Canadian Government, and Mr. V. Rauta, Deputy Minister of Foreign Trade, on behalf of the Socialist Republic of Romania, signed a three-year trade agreement based on an exchange of most-favored-nation treatment.

The agreement is the first between the two countries in the postwar period and follows the establishment of diplomatic relations between Canada and Romania concluded in an exchange of notes on April 3, 1967.

The new agreement envisages an expansion and diversification of trade and new opportunities for Canadian exports can be anticipated. In an exchange of letters accompanying it, Romania undertakes to purchase Canadian goods to a minimum value of \$9 million over the term of the agreement and to give every consideration to Canada as a source of supply for competitive goods required by Romania.

### India

**IMPORT LICENSING POLICY**—The new Indian import policy for the fiscal year ending March 1969 is basically a continuation of the policy adopted last year, suitably revised to strengthen the link between export performance and import facility. The scope for general imports has been further reduced.

Import substitution continues to be a basic tenet of import policy. As a result of increased local production, some 260 items have been taken off the list of permissible imports. These include certain items of drugs, medicines, chemicals, machine tools, and certain mining and textile machinery and parts. In addition some 190 items permitted import by actual users only will be further restricted. Present quotas for established importers have been reduced on 12 items, including drugs and medicines, raw films, automobile parts and scientific instruments.

To stimulate exports, industries have been given freedom to import permissible raw materials from any source; to qualify, however, they must export at least one-tenth of their production. The 59 priority industries established following devaluation of the rupee in June 1966 and which were allowed liberal imports so as to maintain production at full capacity remain. However, some priority industries are to receive lower import entitlements unless their export performance meets specific levels.

The Indian State Trading Corporation has now been given sole importing authority for seven items: muriate of potash, sulphate of potash, sodium nitrate, synthetic fibers, yarn and thread, raw wool and wool tops, photographic raw films and mercury. The import policy for sulphur and newsprint will be announced later.

Further details may be obtained from the Commonwealth Division, Office of Trade Relations and/or the Commercial Counsellor for Canada, Post Office Box 11, 13 Golf Links Road, New Delhi.

### Republic of China (Taiwan)

**CUSTOMS CLASSIFICATIONS**—From January 1968, all export and import applications filed in Taiwan must bear Chinese Commodity Code numbers. These were worked out by the Foreign Exchange and Trade Commission (FETC) and conform to the interna-

tionally-accepted listing method. The old customs return classification numbers will remain in use until the end of the year.

### United States

**CANADA QUERY PROGRAM CHANGE IN PROCEDURE**—The President's balance-of-payments program announced January 1st called for a substantial reduction in U.S. Government expenditures, particularly on foreign travel by government officials. As a result of inquiries from the business community as to the effect of these measures on the Canadian Query Program, we have been advised that travel in Canada by U.S. Customs officials has been restricted temporarily. While these measures are in effect, U.S. Customs suggests that Canadian exporters should contact the nearest U.S. District Director of Customs who will make arrangements for consultations at his office so as to ensure continuity of the service under the C.Q. Program, despite the curtailment in travel to Canada. Where special circumstances warrant, the District Director of Customs may seek approval from Washington for U.S. Customs officials to travel in Canada; this will require at least two weeks' advance notice.



### Trade Fairs Here and There

**U.S.S.R.**—The Soviet Union will hold its first trade exhibition in Singapore later this year. Two major foreign trade organizations will participate, showing chemical products, medicine and medical components, medical and surgical instruments, perfumes, foodstuffs, and various other consumer products. The Soviets have also offered technical assistance to local industries and industrialists who wish to participate. Singapore currently sells rubber to the U.S.S.R. and buys from it textiles, ballbearings, transistor radios, chemicals, cables, aluminum sheets, pig iron, and newsprint.

**Thailand**—Designed to promote Thai products and tourism as well as national arts and cultural exhibitions, the Thailand International Trade Fair '68 is to be held in Bangkok, December 12 to 29. Sponsored by the Government, the fair is organized by the Ministry of Economic Affairs and supported by other government agencies. This year's fair is now in the planning stage and Canadian manufacturers interested in exhibiting independently at this colorful event should contact the Ministry of Economic Affairs in Bangkok for information.

# trade lines



## More cars forecast for the British

The number of British cars is expected to double by 1980 to 20 million, according to the Economic Development Committee for Motor Vehicle Distribution and Repair. Cars now account for 75 per cent of the total number of vehicles licensed in Britain, as compared with 60 per cent ten years ago. Service vehicles have remained constant at about 100,000. A vehicle explosion of this nature will place excessive demands on Britain's garages over the next 13 years. The prospect of official inspections, improved safety precautions and open parking will add to garage work loads—Glasgow.

## Thailand opens steel plant

Thailand's first steel plant at Po-Chao Samingprai Road in Samut Prakan province was opened recently. The five year old company, G. S. Steel Co. Ltd., is a joint venture of Thai industrialists and Mitsubishi Shoji Kaisha and Kawaichi-Gisho Co. Ltd. of Japan with a paid-up capital of Cdn.\$2 million. At present the company has two electrical arc furnaces producing 320 tons of steel ingot per day. A steel rolling mill to produce steel round bars of 6 to 25 mm. at 20 to 30 tons an hour is to follow—Singapore.

## Pakistan manufactures sulphuric acid

A plant set up by West Pakistan Industrial Development Corporation to manufacture 15,000 tons of sulphuric acid a year has gone into production. It is estimated that it will meet the total basic chemical requirements of the alum, dye, and insecticide industries—Rawalpindi.

## Brazil's shipbuilding industry gets British loan

Six British banks in combination have granted a £15.9 million loan to Brazil's Merchant Marine Committee (CMM) to finance construction of 35 ships in Brazilian shipyards. It will cover 85 per cent of the cost of orders for these ships which total £18.75 million. Twenty-four fast cargo and 11 coastal vessels will be built and should be delivered within four years. Although the majority of the material for the ships can be purchased locally, particularly from manufacturers in São Paulo State, various parts not yet produced in the country offer an opportunity for foreign suppliers—São Paulo.

## Mexico-Japan sign fishing treaty

A new five year fishing treaty between Mexico and Japan has just been concluded. The Japanese fleet will be allowed to operate only beyond Mexico's new nine mile fishing limit. The catch between the 9 and 12 mile limit will be restricted to 15,500 metric tons yearly and will consist largely of tuna. This agreement is similar to a Mexico-United States treaty concluded last fall governing American fishing activities in the Gulf of Mexico—Mexico City.

## South Africa produces more oilseeds

The oilseed crop in South Africa for the past season was up 70 per cent and is expected to bring local producers \$54 million. The main crops, groundnuts and sunflower seed, yielded 315,000 and 111,000 tons respectively—Johannesburg.

## Australia studies steel proposal

Australia's steelmaker, the Broken Hill Pty. Co. Ltd. and the British steel group GK and N Ltd. with its Australian subsidiary, John Lysaght (Australia) Ltd., have announced they will jointly study the feasibility of a new integrated iron and steel works in Australia. Estimated cost is between \$350 million and \$500 million and one suggested site is 50 miles outside Melbourne—Melbourne.

## Dutch chemical imports are rising

The Dutch chemical industry's sales for 1967 increased 12 per cent over 1966 and further gains are expected. Of total production, one half was exported; however, high domestic prices for finished chemical products, such as photographic film and perfumes, have caused imports of these products to soar.

The demand for synthetics is rising and exports of artificial fertilizers have jumped by 45 per cent. This will no doubt continue—The Hague.

## New Zealand exports more manufactures

Manufactured exports from New Zealand during 1967 reached NZ\$47.3 million, 17.1 per cent more than in 1966. The recent import surge, devaluation, and the Government's policy of export incentives in the form of tax concessions and extra import licences indicate a continuation of the confidence in industry that developed during 1967—Wellington.

# Trade Commissioners on Tour

## In Canada

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

**Austria**—R. J. L. Berlet, Assistant Commercial Secretary in Vienna:

|                    |                       |
|--------------------|-----------------------|
| Montreal—May 13-21 | Vancouver—May 27-29   |
| Black Lake—May 22  | Edmonton—May 30       |
| Quebec City—May 23 | Oshawa, Aurora—May 31 |
| Winnipeg—May 24    |                       |

**Chile**—R. E. Gravel, Commercial Counsellor in Santiago:

|                                    |                     |
|------------------------------------|---------------------|
| Goderich, Guelph, Acton—<br>May 21 | Windsor—May 24      |
| Toronto—May 22-23                  | Vancouver—May 27-31 |
|                                    | Montreal—June 3-7   |

**Ghana**—R. J. G. Ledoux, Assistant Commercial Secretary in Accra:

|                    |                    |
|--------------------|--------------------|
| Toronto—May 21-24  | Quebec City—May 31 |
| Montreal—May 27-30 |                    |

**Israel**—S. G. Harris, Commercial Secretary in Tel Aviv:

|                 |                     |
|-----------------|---------------------|
| Winnipeg—May 21 | Vancouver—May 23-24 |
| Calgary—May 22  |                     |

**Kenya**—J. B. McLaren, Commercial Secretary in Nairobi:

|  |                        |
|--|------------------------|
| Toronto—May 13-17                        | Ajax, Newmarket—May 24 |
| Brampton, Acton, Guelph—<br>May 21       | Toronto—May 27-28      |
| Woodstock, Brantford—<br>May 22          | Montreal—May 29—June 5 |
| Hamilton, Burlington,<br>Oakville—May 23 | Halifax—June 6-7       |
|  | Vancouver—June 10-13   |
|  | Kelowna—June 12        |

**Nigeria**—N. L. Currie, Commercial Secretary in Lagos:

|                    |                                      |
|--------------------|--------------------------------------|
| Montreal—May 21-24 | Burlington, Niagara Falls—<br>May 30 |
| Toronto—May 27-28  | Sault Ste. Marie—May 31              |
| St. Thomas—May 29  |                                      |

**U.S.S.R.**—R. A. Bull who will be posted to Moscow as Commercial Counsellor:

|                                 |                                 |
|---------------------------------|---------------------------------|
| Winnipeg—May 21-24              | Brantford, Woodstock—<br>May 30 |
| Toronto—May 27-28               | Kitchener, Galt—May 31          |
| Burlington, Hamilton—<br>May 29 |                                 |

**Yugoslavia**—Z. W. Burianyk, Commercial Secretary in Belgrade:

|                       |                 |
|-----------------------|-----------------|
| Montreal—May 13-21    | Edmonton—May 30 |
| Quebec City—May 22-23 | Toronto—May 31  |
| Winnipeg—May 24       | Ottawa—June 3-7 |
| Vancouver—May 27-29   |                 |

## Temporary Duty in Ottawa

The following will be on temporary duty in Ottawa and may be contacted through the Trade Commissioner Service, phone 992-9930 (area code 613).

**R. J. L. Berlet**, Assistant Commercial Secretary in Vienna, June 3-14.

**D. J. Browne**, Assistant Commercial Secretary in Guatemala City, June 19-28.

**R. A. Bull**, Commercial Counsellor to Moscow, U.S.S.R., June 3-6.

**Z. W. Burlanyk**, Commercial Secretary in Belgrade, Yugoslavia, June 3-7.

**D. I. Dltto**, Assistant Commercial Secretary in Kingston, Jamaica, June 3-14.

**W. G. Roberts**, Assistant Commercial Secretary in Sydney, Australia, June 10-14.

**J. H. Suggitt**, Consul and Assistant Trade Commissioner in Los Angeles, July 3-13.

**J. D. Tennant**, Assistant Commercial Secretary in Port-of-Spain, Trinidad, June 5-14.

**J. M. T. Thomas**, Commercial Counsellor to Vienna, Austria, June 10-14.

## In Territory

**Britain**—J. H. Nelson, Trade Commissioner, K. R. Higham, Assistant Trade Commissioner, and W. H. G. Metcalfe, Commercial Assistant, in Liverpool, will visit the following cities on the dates shown.

Birmingham—May 23  
and 24

Hull—May 29  
Manchester—May 16 and  
21, and June 5

**Bulgaria, Czechoslovakia, Hungary, Romania**—Trade Commissioners in the Vienna, Austria, office make frequent visits to these countries, but often there is not time to publish their itineraries in advance. Therefore, Canadian businessmen who would like the Trade Commissioners to undertake assignments for them in these East European countries are advised to write to the Vienna office immediately.

**Thailand**—A Trade Commissioner from Singapore will be making a monthly visit to Thailand throughout 1968. Correspondence should normally be addressed to the Singapore office although contact can also be made through the Canadian Embassy in Bangkok, P.O. Box 2090 (telex: 2277; cable: DOMCAN, Bangkok; phone: 32-956).

Businessmen who would like the above to undertake assignments for them should write to the post as soon as possible.

# Foreign Exchange Rates

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

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

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

| Country and Currency                                      | Value of                                  |   | Country and Currency                                 | Value of                                  |   |
|---|---|---|--|---|---|
|   | Foreign currency unit in Canadian dollars | Canadian dollar in foreign currency units |  | Foreign currency unit in Canadian dollars | Canadian dollar in foreign currency units |
|   | at April 26                               |   |  | at April 26                               |   |
| <b>Algeria</b><br>Dinar                                   | .2186                                     | 4.57                                      | <b>Denmark</b><br>Krone                              | .1446                                     | 6.81                                      |
| <b>Argentina</b><br>Peso (free)                           | .0031                                     | 322.58                                    | <b>Dominican Republic</b><br>Peso                    | 1.078                                     | .92                                       |
| <b>Australia</b><br>Dollar                                | 1.206                                     | .8257                                     | <b>Ecuador</b><br>Sucre (official)<br>(free)         | .0599<br>.0536                            | 16.50<br>18.45                            |
| <b>Austria</b><br>Schilling                               | .0417                                     | 23.98                                     | <b>El Salvador</b><br>Colon                          | .4315                                     | 2.31                                      |
| <b>Bahamas</b><br>Dollar                                  | 1.057                                     | .9364                                     | <b>Fiji</b><br>Pound                                 | 2.477                                     | .40                                       |
| <b>Belgium and Luxembourg</b><br>Franc                    | .0217                                     | 46.25                                     | <b>Finland</b><br>Markka                             | .2569                                     | 3.88                                      |
| <b>Bermuda</b><br>Pound                                   | 2.585                                     | .38                                       | <b>France, Monaco, etc.<sup>3</sup></b><br>Franc     | .2186                                     | 4.57                                      |
| <b>Bolivia</b><br>Peso                                    | .0906                                     | 10.97                                     | <b>Franco-African Republics<sup>4</sup></b><br>Franc | .0044                                     | 227.79                                    |
| <b>Brazil</b><br>Cruzeiro (official free)                 | .3866                                     | 2.97                                      | <b>French Pacific<sup>5</sup></b><br>Franc           | .0120                                     | 82.64                                     |
| <b>Britain</b><br>Pound                                   | 2.585                                     | .38                                       | <b>Germany</b><br>D Mark                             | .2706                                     | 3.68                                      |
| <b>British Honduras</b><br>Dollar                         | .6462                                     | 1.54                                      | <b>Ghana</b><br>New Cedi                             | 1.057                                     | .94                                       |
| <b>Burma</b><br>Kyat                                      | .2265                                     | 4.20                                      | <b>Greece</b><br>Drachma                             | .0360                                     | 27.86                                     |
| <b>Ceylon</b><br>Rupee                                    | .1812                                     | 5.47                                      | <b>Guatemala</b><br>Quetzal                          | 1.079                                     | .92                                       |
| <b>Chile</b><br>Escudo (bank rate)<br>(free)              | .1653<br>.1426                            | 6.04<br>7.01                              | <b>Guyana</b><br>Dollar                              | .5394                                     | 1.85                                      |
| <b>China, Republic of</b><br>New Taiwan Dollar (official) | .027                                      | 37.04                                     | <b>Haiti</b><br>Gourde                               | .2158                                     | 4.60                                      |
| <b>Colombia</b><br>Peso (fixed)                           | .066                                      | 14.95                                     | <b>Honduras</b><br>Lempira                           | .5394                                     | 1.85                                      |
| <b>Congo, Republic of<sup>1</sup></b><br>Franc            | .0072                                     | 139.50                                    | <b>Hong Kong</b><br>Dollar                           | .1780                                     | 5.56                                      |
| <b>Costa Rica</b><br>Colon                                | .1628                                     | 6.10                                      | <b>Hungary</b><br>Forint (official)                  | .0921                                     | 10.86                                     |
| <b>Cuba<sup>2</sup></b><br>Peso                           | .....                                     | .....                                     | <b>Iceland</b><br>Krona (official)                   | .0189                                     | 52.91                                     |
| <b>Czechoslovakia</b><br>Koruna                           | .1498                                     | 6.64                                      | <b>India</b><br>Rupee                                | .1437                                     | 6.90                                      |

| Country and currency         | Value of                                  |   | Country and Currency                       | Value of                                  |   |
|------------------------------|---|---|--|---|---|
|                              | Foreign currency unit in Canadian dollars | Canadian dollar to foreign currency units |  | Foreign currency unit in Canadian dollars | Canadian dollar to foreign currency units |
|                              | at April 26                               |   |  | at April 26                               |   |
| <b>Indonesia<sup>6</sup></b> |   |   | <b>Peru</b>                                |   |   |
| Rupiah                       | .....                                     | .....                                     | Sol (free)                                 | .0261                                     | 38.02                                     |
| <b>Iran</b>                  |   |   | <b>Philippines</b>                         |   |   |
| Rial                         | .0143                                     | 70.42                                     | Peso (free)                                | .2756                                     | 3.61                                      |
| <b>Iraq</b>                  |   |   | <b>Poland</b>                              |   |   |
| Dinar                        | 3.021                                     | .33                                       | Zloty (fixed basic rate)                   | .2695                                     | 3.68                                      |
| <b>Laos</b>                  |   |   | <b>Portugal &amp; Colonies<sup>7</sup></b> |   |   |
| Pound                        | 2.585                                     | .38                                       | Escudo                                     | .0375                                     | 26.33                                     |
| <b>Lebanon</b>               |   |   | <b>Saudi Arabia</b>                        |   |   |
| Pound                        | .3082                                     | 3.23                                      | Riyal                                      | .2066                                     | 4.84                                      |
| <b>Italy</b>                 |   |   | <b>Sierra Leone</b>                        |   |   |
| Lira                         | .0017                                     | 581.86                                    | Leone                                      | 1.510                                     | .66                                       |
| <b>Japan</b>                 |   |   | <b>Singapore</b>                           |   |   |
| Yen                          | .0030                                     | 333.33                                    | Dollar                                     | .3524                                     | 2.82                                      |
| <b>Kenya</b>                 |   |   | <b>South Africa</b>                        |   |   |
| Shilling                     | .1526                                     | 6.55                                      | Rand                                       | 1.510                                     | .66                                       |
| <b>Malaya</b>                |   |   | <b>Spain &amp; Dependencies</b>            |   |   |
| Pound (free)                 | .3344                                     | 2.98                                      | Peseta                                     | .0155                                     | 64.25                                     |
| <b>Malaysia</b>              |   |   | <b>Sweden</b>                              |   |   |
| Dollar                       | .3524                                     | 2.82                                      | Krona                                      | .2087                                     | 4.77                                      |
| <b>Mexico</b>                |   |   | <b>Switzerland</b>                         |   |   |
| Peso                         | .0863                                     | 11.47                                     | Franc                                      | .2485                                     | 4.01                                      |
| <b>Morocco</b>               |   |   | <b>Syria</b>                               |   |   |
| Dirham                       | .2132                                     | 4.65                                      | Pound (free)                               | .2821                                     | 3.51                                      |
| <b>Netherlands</b>           |   |   | <b>Thailand</b>                            |   |   |
| Florin                       | .2980                                     | 3.34                                      | Baht (free)                                | .0523                                     | 18.90                                     |
| <b>Netherlands Antilles</b>  |   |   | <b>Tunisia</b>                             |   |   |
| Florin                       | .5720                                     | 1.74                                      | Dinar                                      | 2.055                                     | .48                                       |
| <b>New Zealand</b>           |   |   | <b>Turkey</b>                              |   |   |
| Dollar                       | 1.210                                     | .82                                       | Lira                                       | .1199                                     | 8.28                                      |
| <b>Nicaragua</b>             |   |   | <b>United Arab Republic</b>                |   |   |
| Cordoba                      | .1541                                     | 6.42                                      | Pound (official)                           | 2.481                                     | .40                                       |
| <b>Nigeria</b>               |   |   | <b>United States</b>                       |   |   |
| Pound                        | 3.051                                     | .33                                       | Dollar                                     | 1.079                                     | .92                                       |
| <b>Norway</b>                |   |   | <b>Uruguay</b>                             |   |   |
| Krone                        | .1511                                     | 6.57                                      | Peso (free)                                | .0054                                     | 185.18                                    |
| <b>Pakistan</b>              |   |   | <b>Venezuela</b>                           |   |   |
| Rupee                        | .2265                                     | 4.38                                      | Bolivar (official free)                    | .2022                                     | 4.94                                      |
| <b>Panama</b>                |   |   | <b>West Indies</b>                         |   |   |
| Balboa                       | 1.079                                     | .93                                       | Dollar <sup>8</sup>                        | .5394                                     | 1.85                                      |
| <b>Paraguay</b>              |   |   | Pound <sup>9</sup>                         | 2.585                                     | .38                                       |
| Guarani (free)               | .0086                                     | 116.28                                    | <b>Yugoslavia</b>                          |   |   |
|                              |   |   | Dinar (official)                           | .0863                                     | 11.47                                     |

1. Additional rates are in effect.
2. There is no trading in Cuban pesos in U.S. or Canadian banks at present.
3. Franc is also used in French Guiana, Guadeloupe and Martinique.
4. Chad, Central African Republic, Congo, Dahomey, Gabon, Ivory Coast, Mali, Islamic Republic of Mauritania, Niger, Senegal, Upper Volta, Camerouns, Togoland, and Malagasy. Also Reunion, Comoro Islands, St. Pierre and Miquelon.
5. New Caledonia, New Hebrides, French Polynesia.
6. Because of the complexity of the Indonesian exchange rate system, it is impractical to quote a single representative rate for the rupiah.
7. Approximately same rate for Portuguese territories in Africa.
8. Barbados, Trinidad and Tobago, Leeward and Windward Islands.
9. Jamaica.

# Marketing Data Sheet

## GUATEMALA

### Area

42,042 square miles.

### Climate

Average temperature in the lowlands is 80°F, in the temperate zone 58°F, and in the higher parts of the country 35°F. Centigrade scale is used.

### Population

Total population is approximately 4.3 million. In 1964, there were 2.1 million males and 2.1 million females.

|             | <i>Males</i> | <i>Females</i> |
|-------------|--------------|----------------|
| 35 and over | 483,200      | 479,800        |
| 25 to 34    | 269,300      | 278,600        |
| 15 to 24    | 366,300      | 393,900        |

### Households

In 1964, there were 201,100 urban and 502,400 rural private residential dwellings and 76,700 urban and 24,700 rural multiple dwellings.

### Income

National income in 1967 was U.S.\$1,383 million. U.S. \$293 per capita. The average annual wage was U.S.\$1,058 in 1966.

### Retail Sales

In 1966, retail sales totalled U.S.\$961 million, or U.S.\$211 per capita.

### Motor Vehicles

In 1966, 32,600 passenger cars, 3,800 commercial vehicles, 22,000 trucks and pick-ups, etc., and 9,000 motor cycles and scooters were registered. There were 59,700 bicycles.

### Telephones

The number of telephones rose to 38,000 in 1967 from 15,900 in 1964.

### Radio and Television

In 1964, there were 176,500 radio receivers and 20,600 television sets. Radio and television (525 lines per picture) stations are both publicly and privately owned.

### Water Supply

Safe to drink. Pressure is usually about 30 psi.

### Electric Power

Sixty-cycle a.c. 120/240 volts one- and three-phase. Voltage varies by 10 per cent in some parts of the system. The distribution system has a ground wire. Capacity in Guatemala City and vicinity is 91,000 kw. to serve 80,700 domestic, 13,800 commercial, and 750 industrial customers. More power will be available from the Jurun-Marinala hydroelectric project and backup thermal stations.

### Weights and Measures

Metric, but the Spanish system is also common.



## Understand Marine Insurance?

Sue and Labor: General Average: Inherent Vice — terms used in marine insurance are explained on pages 62-66 of **HOW TO WIN WORLD MARKETS**, the exporter's handbook which has itself won a world market. Order from the Queen's Printer, Ottawa, or Q.P. bookstores in Ottawa, Montreal, Toronto, Winnipeg and Vancouver. Cost: \$2.50 paperback, \$4.50 hard cover; please make money orders or cheques payable to the Receiver General of Canada.

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