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Cover . . . Against a background of minute pound signs, our artist has placed the monetary symbol of the sterling area, to which all members of the Commonwealth, with the sole exception of Canada, belong.

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The Sterling Area and Its Problems

This brief account of the sterling crisis and how it arose, written for the layman, illuminates one of the Commonwealth's major problems and discusses the solutions which have been put forward.

LONDON—What is the sterling area? Why is it that before the last war trade with countries in the area posed no particular problems and today it is beset with problems? To answer this, one must first outline very briefly what the sterling area is, why it exists, what has been wrong with it in recent years, and what is being done to put it right.

Although Canada is not a member of the sterling area, we have much to gain from a solution of its difficulties. At current levels, one-quarter of our exports go to the sterling area. If this performance is to be maintained or improved, and if the variety of items which Canada can sell to the area is to be enlarged, an answer must be found.

How It Evolved

The sterling area can be defined as a voluntary association of countries which pool their reserves of foreign exchange and draw their requirements from the central pool which is held by the British Government. The British Commonwealth (with the exception of Canada) forms the hard core of it, though there are other members, including Iraq, Burma and Iceland. Other countries have been members at different times.

The association evolved out of the banking and monetary arrangements that grew up around the economic development of the Dominions and Colonies. In addition to providing much of the finance for this development, British institutions furnished the requisite banking and insurance services. It was thus convenient for these areas to keep their balances in the United Kingdom and to pay any debts they might incur anywhere in the world from these balances.

The sterling area contains one-quarter of the world's population and its members carry on one-quarter of the world's international trade. Many products of everyday use come largely from the area—75 per cent of the world's diamonds; 60 per cent of the world's natural rubber and tea; half of its gold, wool and cocoa, and 40 per cent of its tin. On the other hand, the area is deficient in a number of important commodities, including newsprint, softwoods, raw cotton, grains, tobacco and meat.

War and Its Aftermath

Before the last war, the sterling area was able to obtain sufficient foreign exchange to pay for its imports without undue strain being placed upon its reserves. When the Second World War broke out, it was immediately apparent that the dollar resources of the sterling area would have to be husbanded with the utmost care so that they would be available to buy essential supplies from the dollar area. The sterling area members



—U.K. Information Office

Many people consider the crossroads at the Mansion House the heart of the City of London and therefore the centre of the sterling area. In the background, the columned facade of the Royal Exchange.

of the Commonwealth therefore undertook not to make any unnecessary claims on the pool of foreign exchange. A wide variety of import restrictions was imposed, to keep out all but essential imports.

The operation of these measures had two important consequences:

- Certain members of the area accumulated larger sterling balances. Import restrictions prevented them from buying much from North America and the United Kingdom was too heavily engaged fighting the war to have much available for export.
- Inability to obtain commodities (from dollar sources in particular) established a pent-up demand for these items.

To prevent these accumulated funds and the sudden release of a pent-up demand from completely absorbing the area's gold and dollar reserves, it was considered necessary to continue the policy of restricting imports when the war ended.

Complete freedom of trade between the area and the countries outside will remain impossible until first, the reserves are large enough to absorb reasonable demands upon them, and second, the payments and receipts of the area are sufficiently in balance to maintain the reserves at a workable level.

The difficulty of keeping the reserves in a healthy state arises from a number of factors of which the following are of particular importance:

- If the area as a whole buys from outside more goods and services than it sells and assuming no external gifts or loans, the reserves will be depleted in order to cover the deficit.
- If there is a flight of capital, this will be reflected in a drain on the reserves.

Since the war, the sterling area as a whole has tended to buy more from outside than it has sold. This has been possible largely because of dollar gifts and loans from the United States and Canada and additional credits arranged through international organizations. To counter the trend, sterling area countries have sought to keep dollar expenditures down by import restrictions, and dollar earnings up by encouraging exports to dollar markets.

The major aim of the two Commonwealth Conferences held in the United Kingdom in 1952 was to discover a means of re-establishing the solvency of the sterling area so that the pound sterling will be as acceptable a currency in international trade as the dollar. This is what is involved in "making the pound convertible".

It has been agreed that a first step will be for individual members of the area—and the area as a whole—to live within their incomes. A number of devices are being employed to bring this about, including stricter monetary policies, retrenchment on capital expenditures and so on. It was further agreed that output of the Commonwealth countries in the sterling area must be increased.

Effect on Canada

The effect upon sterling area-Canadian trade of any substantial increase in the production of the sterling area will depend largely upon the fields in which the increases take place. If the emphasis should be upon items which could be sold for dollars the results will be beneficial—more will be sold to the dollar area so that more can be bought. If, however, the increased production is centered upon items currently purchased from the dollar area, and if uneconomic production is protected by import restrictions or some other device, the result will be harmful.

Future Looks Hopeful

The improvements brought about by the changed monetary policies, the gradual growth in the sterling area's gold and dollar reserves, and the encouraging strength of the pound sterling in the world's money markets suggest that the fundamental weakness in the postwar operation of the organization is being properly dealt with at last. Mr. R. A. Butler, the Chancellor of the Exchequer, addressing the Commonwealth Correspondents Association in London on February 11th, summed up the position as follows: "What emerged from the Commonwealth Conference was not a cut-and-dried agenda for early action but a broad strategic plan of campaign—a general idea of the right way to approach the problem of getting beyond the economic restriction that has followed on the war. The success of the past twelve months has now given us the opportunity, which I believe should last for some months to come, perhaps for the greater part of this year, of working out and applying policies for long-term progress without being distracted by immediate crises".

If these predictions prove true, then the sterling area will be moving, for the first time since 1945, toward the reduction or removal of import restrictions, rather than toward their extension or maintenance.

—R. P. BOWER

Commercial Counsellor for Canada

The United Kingdom in 1952

- *Stronger price for sterling in money markets.*
- *Volume of exports declined by six per cent.*
- *Efforts to close dollar gap meet some success.*

LONDON—Historians may some day look back upon 1952 as the decisive year in the United Kingdom's struggle to overcome the destruction and disruption of the Second World War. If this proves true, it will have been despite some unfavourable factors. These include a decline in overall production—the first to interrupt the postwar trend; a definite turn from a sellers' to a buyers' market, and a sizable recession in certain spheres, particularly textiles. The year will probably be regarded as significant because, for the first time in the postwar era, an attempt was made to tackle the *causes* of the economic disease and not its symptoms. It was as if the doctor decided to correct the pallor of an anaemic patient by applying iron to the diet rather than rouge to the cheeks.

Adverse Balance of Payments

During the six-month period ending March 31, 1952, the sterling area gold and dollar reserves lost more than two billion dollars—a drain of one-third of a million dollars for every hour. Immediately the new government took office late in 1951, further cuts in imports and in other overseas expenditures were ordered. Other members of the Commonwealth were consulted and a plan adopted under which the sterling area members undertook to follow courses aimed at eliminating the deficit by the second half of the year, and at achieving at least a balance with the dollar area by that time. The heavy deficits that characterized the early months of the year gave way to small surpluses at the end. Excluding the £ 65 million payment in December on the North American loans, in the last half year the sterling area would have been in slight surplus in its gold and dollar accounts even without aid from the United States and the gold earned from EPU.

Corrective Measures

A higher bank rate strengthened world confidence in sterling and supported other steps to restrict home civil investment. Income tax changes were aimed at encouraging longer and better work and hence raising production. Steps were taken to free resources for export by restricting home claims. These and other measures all contributed to the substantially better atmosphere by the end of the year. This was reflected in a much stronger price for sterling in the world's money markets.

So gradual is the improvement and so long the way still to go that there is no prospect of an early elimination of the import restrictions that have been a part of the United Kingdom trade picture since the

outbreak of war in 1939. The Prime Ministers' Conference held in London late in 1952 reiterated the determination of the sterling area to work for full convertibility of the pound and restoration of multilateral trade, and laid plans to expedite the achievement of these objectives.

No sensational improvement can be expected in 1953, but steps taken by the United Kingdom Government to decontrol the trade in certain items are introducing a welcome element of competition. Commodities for which a measure of freedom has been restored, or is in prospect, include lumber, zinc, lead, raw cotton, sugar, cereals and flour. In general these concessions to "freer" trade relate to imports of commodities which have not been seriously restricted. Their principal effect, therefore, will be to allow competitive influences rather than import licences to shape the pattern of the trade. They do not mean that the volume or value of imports will necessarily be altered.

Production

Industrial production in the United Kingdom fell by 3 per cent during the year, but was improving steadily in the closing months. Steel output rose to record levels at the year's end. The target of 16 million tons for the full year was met, and plans made to boost production to 20 million tons by 1957-1958. Larger coal production meant more exports and helped eliminate power cuts. The textile trade was the most disappointing side of the production picture, but here also improvement was apparent at year's end. Performance of the vehicle industry was mixed. Output of motor vehicles, steam locomotives and railroad passenger cars was down, and that of diesel locomotives was up.

During recent years, output per man in manufacturing has risen steadily but during 1952 it fell, and by the third quarter of the year was considerably lower than a year earlier. Between mid-1951 and mid-1952 output per man fell about 4-5 per cent. Of this, shorter hours accounted for about 1-2 per cent, and lower productivity for the rest.

Exports

The volume of United Kingdom exports in 1952 declined by 6 per cent and the value (at £2,550 million) by 1 per cent compared with 1951. This was a sharp disappointment in view of the earlier objective which called for a substantial increase. The main reduction was in textiles and clothing, which fell by £157 million. Exports of metals, engineering products and coal all rose. Exports of refined petroleum were sharply higher in 1952, a reflection of the country's increased refinery capacity.

Imports

Imports were valued at £3,481 million, a decline of 11 per cent compared with 1951. The reduction arose partly from restrictions on imports of miscellaneous and manufactured goods, but chiefly from lower consumption of some important raw materials. There were smaller arrivals of wood and timber, textile and papermaking materials and rubber; the fall in textile materials and rubber alone amounted to £272.5 million. Imports of food, drink and tobacco were 6 per cent lower in value and 10 per cent in volume. The import of rearmament items such as metals and machine tools was up.

An adverse visible trade balance is traditional with the United Kingdom. In 1952 imports exceeded exports by £932 million. In 1951 the excess was £1,324 million. Invisible items, however, favour the United Kingdom and provide some offset to the otherwise alarming trade deficit. The United Kingdom's visible trade gap with the non-sterling area was cut almost in half, falling from £1,137 million in 1951 to about £620 million in 1952. The gap with the sterling area rose from £70 million to about £170 million.

Efforts to close the dollar gap are taking effect. In 1951 the loss on visible trade was about \$100 million a month. For the third quarter of 1952, the monthly average was down to \$70 million; for October it was only \$36 million.

Sales to Canada

Since 1947 there has been steady pressure in the United Kingdom to increase sales to dollar markets and particularly Canada. In that year Canada was the sixth best customer. By 1950, only Australia bought more. Since then Canada's relative position has deteriorated steadily. By 1951 Canada was in third place and a 10 per cent fall in sales in 1952 put Canada in fourth place. Canadian imports from the United Kingdom amounted to \$421 million in 1951 as compared with \$360 million in 1952.

Lower values for manufactures of cotton and wool, pottery, steel, carpets, motor vehicles, and vessels more than wiped out gains in exports of cocoa preparations, tubes and pipes, electrical goods and apparatus, machine tools, machinery and toys.

Purchases from Canada

United Kingdom purchases from Canada amounted to \$746 million in 1952, an increase of some 18 per cent over 1951. This was the highest ever recorded in peacetime, with the exception of 1947. This was not the result of any relaxation in United Kingdom restrictions on dollar imports; in fact the Token Import percentage was reduced from 40 to 30 per cent of base period performance. It was due to heavier expenditures on wheat, meat, tobacco, asbestos, wood and timber, ferro alloys, iron ore, aluminum, zinc and newsprint.

The continued need to conserve dollars meant that, except for goods on the Token Import list, licences to import from Canada were provided only for essential commodities which could not be obtained in adequate quantities from soft currency sources. In consequence, the range of products imported was limited and an extensive list of competitive Canadian items was thereby denied a market.

Anglo-Canadian Trade Outlook

The long-term outlook for Canadian exports to the United Kingdom was improved by the 1952 developments. The remaining difficulties are so serious, however, that under the best of circumstances, recovery will be protracted. For that reason, no sharp expansion of imports from Canada may be expected. On the other hand, the United Kingdom should succeed in holding or improving its position as a supplier to Canada.

—R. P. BOWER

Commercial Counsellor for Canada

Northern Ireland

- *Depression in textile industry brought unemployment.*
- *Ships and aircraft industries are booked ahead.*
- *External trade has grown steadily.*

BELFAST—The predominant factor in Northern Ireland's economy in 1952 was the depression in the textile industries because of the decline in consumer demand both at home and overseas. This depression caused considerable unemployment, which was relieved to some extent by the acceleration of the British Government's defence program. Contracts placed by the Ministry of Supply and other government departments provided much-needed work for the linen, woollen and clothing industries.

Signs of improvement appeared towards the end of the year, however. Although unemployment figures for October, November and December—at 41,865, 43,950 and 45,648 respectively—were higher, this trend was mainly the result of seasonal causes rather than a further recession.

The Linen Industry

Output in the linen industry was substantially lower last year than in 1951. Exports of linen from the United Kingdom, the bulk of which originate in Northern Ireland, were estimated at £18 million at the end of October, compared with £21 million for the same period last year. Trade with the United States, the principal overseas market, sank to its lowest level in June but since then has tended to climb. Sales to Canada last year were reported to be 25 per cent below 1951 levels. A small but steady increase in the yardage of cloth produced has been evident since July. Value of orders on hand in October was 20 per cent higher than in July. Other branches of the textile industry—rayon, cotton, woollen, and the clothing and making-up trades—experienced similar difficulties, but now show signs of improvement.

Ships and Aircraft

The shipbuilding industry's chief problem continued to be the shortage of steel, particularly ships' plates. Despite this Harland & Wolff Limited of Belfast again headed the production list of British shipbuilding firms. Fourteen ships totalling 131,781 tons were launched from the Belfast yard in 1952, compared with ten ships totalling 118,554 tons in the previous year. The outstanding ship of the year was the tanker *British Skill* (28,500 tons), largest of its kind to be built locally. The only large passenger liner launched was the *Braemar Castle* (17,029), for the Union Castle Line.

The aircraft industry was engaged in production of the Canberra bomber for the Royal Air Force. This contract, and the recent arrangement with the De Havilland Aircraft Company for the production of the Comet jet airliner, will provide employment for the industry for some time to come.

Apart from ship and aircraft construction, several important rearmament contracts were placed with the engineering industry. Firms engaged in production of textile, ventilating and other machinery suffered from the steel shortage and, for the first time since the war, had to meet competition from Germany and Japan. Most of them, however, began the New Year with substantial orders on their books.

Nine new industrial undertakings, established or expanded with the aid of the Ministry of Commerce, came into production during 1952. Seven new factory buildings with a total area of 130 thousand square feet were completed, and tenants were secured for five of them. Industrial progress is also evident in the success of the Re-Equipment of Industry Act. Ninety schemes have been approved under this act. They involve a total expenditure of approximately £5.3 million, towards which the Government will make grants of £1.7 million.

Agriculture

Agricultural census figures for 1952 showed a further downward trend both in tillage and in numbers of cattle. The tillage area fell to 507,300 acres, only 7.7 per cent above 1939. The 1952 harvest season was one of the most favourable on record. Yields of all grain crops showed increases over the average for 1951. Potatoes yielded 7.9 tons per acre, which compared well with the 8.3 tons per acre of 1951's bumper crop. Exports of all classes of agricultural produce to Great Britain were well maintained, total value of shipments amounting to £38,384,460.

External Trade

The growth of Northern Ireland's external trade since the war is illustrated by the record total of £478,538,000 reached in 1951. When allowance is made for inflation and other abnormal factors such as stockpiling and defence, the figure is still proportionately greater than the average for the twenties and thirties. Imports at £261,467,000 and exports at £217,071,000 resulted in a debit balance of £44,396,000. This was offset to some extent by invisible exports and services and by capital expenditure on plant and equipment. Direct shipments from Canada amounted to £4,997,000, compared with £4,255,000 in 1949 and £4,919,000 in 1950. Imports consisted mainly of grain, timber, foodstuffs and certain items entering under the Token Import scheme, such as agricultural implements and canned goods.

Because of Northern Ireland's position within the fiscal structure of the United Kingdom, the solution of her dollar difficulties depends entirely on British Government policy. Recent inquiries on the subject have shown that any relaxation of present trade restrictions would result in the renewal and expansion of many Canadian contacts in the Northern Ireland market.

Orders for two large passenger liners, worth several millions of pounds, secured by Harland & Wolff Limited in November 1952, will provide steady employment in the shipyards for two years at least; the outlook for the aircraft and engineering industries is also satisfactory. Provided the improvement discernible in the textile industries is maintained, and given normal commercial conditions, the prospects for 1953 are much better than a few months ago.

—T. G. MAJOR

Canadian Government Trade Commissioner

British West Africa—*second largest colonial market.*

LONDON—Nearly half the entire British colonial population lives in the four West African territories and their dependencies. Nigeria, the largest of all the colonial territories, has a population of 26 to 30 million; the Gold Coast (with Togoland), under five million; Sierra Leone, two million; Gambia, 300 thousand. Nigeria and the Gold Coast, which compare in size to Ontario and the Maritime Provinces, are leading world producers and biggest colonial exporters of cocoa, palm oil and kernels, diamonds, groundnuts, manganese ore, hides, skins and hardwoods. Sierra Leone is an important source of diamonds, chrome ore and iron ore; the Gold Coast, of gold and bauxite; Nigeria, of tin concentrates, bananas and cotton.

Second Largest Colonial Market

British West African exports are important dollar earners for the sterling area, grossing over \$135 million a year in the last two years. This represents only one-quarter of Malaya's contribution, but it is 15 per cent of the total for the colonial territories and puts this region in second place in the Empire. In imports it also ranks second only to Malaya.

The four territories spent \$440 million on imports in 1951 and at a rate of six per cent more during the first nine months of 1952. Something over \$30 million was spent on dollar and hard currency goods. Canada is capturing only a small percentage of this dollar trade, Canadian exports in 1952 to British West Africa amounting to \$1.3 million. The main Canadian products exported were vehicles, flour, machinery and newsprint.

Dollar Import Policy

In a statement in the House of Assembly in Accra, February 12th, Mr. Gbedemah, Minister of Commerce and Industry, said that the Gold Coast would "continue to import from the United States and Canada those essential requirements which cannot be met from other sources . . . The dollar allocation for the Gold Coast is adequate and is needed to cover our increased requirements of essential imports of flour, tobacco, earth-moving and timber machinery, mining equipment, and a few other items unobtainable elsewhere".

This import policy parallels Nigeria's. Both countries enjoy representative government and have a voice in determining what minimum dollar imports are economically necessary. But as a part of the sterling area, they are under stern pressure to exercise every economy.

How to Sell

Import licences for dollar goods are issued on the same basis as in other sterling area countries, with special consideration given to goods or equipment required for export industries, communications and industrial development. If Canada is to increase her share of British West Africa's

hard currency imports, the effort will have to come from producers and manufacturers of essential goods. They must make individual studies of the market under the headings of competitive pricing; local tastes and standards; selling techniques. In practically all lines agents are a necessity. Some African firms will act as agents but frequently a long-established British or European trading house with branch offices in the territory provides better coverage.

The Gold Coast and Nigeria do not have tariff preferences on British Commonwealth goods. There are no tariffs on flour, newsprint, or most types of machinery in either of these countries, although there are tariffs on motor vehicles. Both Sierra Leone and Gambia offer tariff preferences to Canada. Several shipping companies now provide regular liner connections from Canada to the area.

Vast Economic Development

Recent estimates put the national income of Nigeria at about \$1,650 million and of the Gold Coast at \$420 million. Considering their large population and resources, these territories are obviously capable of, and committed to, tremendous economic expansion. As each territory moves closer to full self-government more and more emphasis is bound to be placed on industrialization. Canada's engineering firms and capital goods industries have an opportunity to play a major role in this economic development.

Aluminum Project

A number of projects are on foot for the development of primary resources such as the Nigerian deposits of iron ore, coal, columbite and niobium. Then there is the Volta River aluminum scheme in the Gold Coast planned by the United Kingdom and Gold Coast Governments in conjunction with Canadian and United Kingdom producers—Aluminium Ltd. and British Aluminium Company. If the scheme is finally authorized, the Gold Coast resources in waterpower and bauxite will be combined to produce 210 thousand tons of aluminum a year. It will require about \$400 million for the hydro-electric and smelter installations and for associated port, rail, road and other public works.

Three Levels of Opportunity

These four territories offer a market for Canadian exports at three stages. At the first stage, that of today, Canada can improve upon its present small share of the \$30 million worth of hard currency goods imported each year. At the second stage, upon which we are now entering, Canadian engineering firms and capital goods industries can begin to participate in economic development. At the third and final stage lies the ultimate goal of a vast Commonwealth market of 35 to 40 million people.

—R. CAMPBELL SMITH
Commercial Secretary for Canada

Union of South Africa

- *Total trade was smaller by £61 million.*
- *Gold production high, but costs rising.*
- *Diamond syndicate made record sales.*

CAPE TOWN—During 1952, South Africa made a concerted effort to bring inflation under control and to discourage the further growth of high-cost production. Among the steps taken were:

- A government request to the commercial banks to restrict credit.
- Increased restrictions on the use of raw materials.
- Heavier taxation.

In the event, these measures were somewhat counteracted by increased production costs, the bottlenecks in rail transport, shortages of electric power, and rising cost of capital equipment and raw materials. Prices and wages also continued to rise.

Production was higher than in 1951 in a number of industries, particularly gold mining, base metal mining, manufacturing and steelmaking. Industrial output generally rose by 15-20 per cent. New construction fell off and the building boom seems to be over. The wool clip was higher than in 1951-52 and prices better.

Total trade for 1952, at £752 million, was £61 million less than in 1951. Imports contracted by £48 million to £422 million, and exports by £13 million to £330 million. The trade deficit was thus reduced, though total trade was smaller. Because of this, though capital inflows declined in 1952, the unfavourable balance of payments did not increase.

Import Policy

Since 1948, the Government's policy has been to keep imports in line with foreign exchange earnings. To do this, it restricts imports in three general ways:

- Certain specified goods cannot be imported except under special circumstances.
- Consumer goods are restricted to a percentage of 1948 imports.
- Industrial raw materials can be imported partly on a quota basis, but are generally purchased from dollar countries only if they cannot be obtained elsewhere.

Trade with Canada

Canadian-South African trade in 1952 was marked by a heavier balance in Canada's favour than in 1951. A glance at the record of Canadian exports to the Union in recent years, however, suggests that South African purchases of motor vehicles and parts, newsprint, wheat, agricultural equipment and, to a lesser extent, lumber, cannot be readily

reduced. Sales of Canadian goods to South Africa in 1952 totalled \$47.9 million, compared with \$52.7 million in 1951. Leading commodities were:

Commodity Exported	Value million \$
Wheat	10.4
Motor cars, trucks and parts	10.4
Newsprint and other papers	6.9
Lumber	3.9
Agricultural machinery	2.0
Iron and steel bars	1.5
Cotton fabrics, including duck	1.5
Linseed and flaxseed oils	1.5

Canadian imports from South Africa during 1952 totalled \$4.16 million, as compared with \$5.3 million in 1951. It seems unlikely that the trade between the two countries will come into better balance because their agricultural production is somewhat similar and South African industries sell their products largely in the domestic market or to neighbouring countries.

Principal commodities sold to Canada included:

	January to November 1952	January to November 1951
Diamond Bort	\$1,476,578	\$ 980,459
Wines and brandies	481,097	540,100
Wool (washed or scoured)	279,784	1,191,320
Canned fruit (apricots and pineapple)	130,152	738,604

Mining Industry

Gold production totalled 11,815,502 fine ounces, an increase of 309,863 ounces over the previous year. Contributing to the increase was an additional 103,995 ounces from the mines of the Transvaal and the output of the fast-growing Orange Free State field which, after yielding a first 11,544 ounces in November and December 1951, supplied 224,412 ounces during 1952.

The declared value of the Union's output increased by £4.1 million to £146.9 million, but the return from premium sales declined by £2.6 million to £3.7 million. The corrected net value of gold production in the Union was thus £150.6 million. Chronic shortage of labour, electricity rationing and the mounting costs of production handicapped producers. Operating costs in the Transvaal rose by 11/2d. per fine ounce to 180/3d. Profits declined from 15/2d. to 13/2d. per milled ton, and dividend distributions, mirroring the lesser profit, were lower by £3 million.

Future operations should benefit progressively from the recovery of uranium as a by-product and eventually such recovery may add £30 million to net income.

The Central Selling Organization established a new record for the diamond syndicate during 1952, with sales valued at £69.7 million, consisting of gem stones sales, £45.8 million and industrial diamonds, £23.9 million. This was an overall increase of 7.1 per cent over 1951. The market for cut and polished stones strengthened late in the year and a continuing sellers' market for gems is anticipated.

The following table shows the quantity and value of diamonds exported from the Union during 1951 and the first ten months of 1952:

	1951		1952	
	Carats	Value	Carats	Value
Rough and uncut	4,483,279	£ 15,379,386	3,904,093	£ 15,168,413
Polished	116,819	9,832,098	94,937	8,065,064
		£ 25,211,484		£ 23,233,477

Agricultural Production

Domestic consumption of agricultural products is growing more rapidly than production and South Africa, traditionally an exporter of foodstuffs, is close to becoming an importer.

Agricultural production during the season ending April 1952 was spotty. The maize harvest was disastrously lower. Wheat production was well above average. The citrus crops were satisfactory, and so were the export returns. There was a short crop of export grapes and down-grading reduced the returns. The wine vint was curtailed by 40 per cent because of a shortage of crushing grapes.

Wattle bark and extract: Large and continuing postwar expansion in plantation acreages has increased production. Exports of bark and extract during the first eleven months of 1952, valued at £6.6 million, were 27.5 per cent above the similar period of 1951.



Harvesting the grapes at Paarl, Cape Province. The 1952 crop was not up to the usual standard and the yield was down. This in turn curtailed the wine vint by about 40 per cent.

Deciduous fruits: A bumper crop is now being harvested. Exports to January 10, at attractive prices, have been 15 per cent above shipments at the same date last year.

The present season will set production records for both canned fruits and jams, with a pack much above that for the 1951-52 season ending October 31, 1952, when production amounted to 1,753,535 cases (of 45 pounds) of canned fruits and 1,561,850 cases (of 48 pounds) of jams and jellies.

Citrus fruits: Production estimate for the citrus crop is unavailable but unofficial opinion suggests a harvest at least as large as that of the previous season, when the industry earned £9.8 million from export sales of £8.6 million (largely to the United Kingdom) and £1.2 million in sales to the domestic market.

Sugar: The estimated sugar output of 658 thousand tons in the 1952-53 season will mean a substantial carryover, and rationing has been relaxed.

Commodity Prices Higher

The retail price index (1938=1,000), based on food, fuel, rent, light, and sundries, as used in the Union to measure changes in the cost of living, increased from 1,805 in October 1951 to 2,226 in October 1952. During the past year the wholesale index (domestic goods) advanced by 477 points from 2,120 to 2,597, and the wholesale index (imported goods) rose by 146 points to 3,950.

Transportation

Transportation facilities—including improvements to roadbed, increased rolling stock, new railway connections and lines, additional maintenance shops and terminal facilities, harbour equipment, docks and air service facilities—have involved the railway administration in expenditures of £227 million since the end of the war. A new level of spending was reached during 1952-53 at £43 million and a further £54 million has been earmarked for spending in 1953-54.

Outlook for '53

For a number of years South Africa will need to find capital for long-term national projects. Heavy expenditures on power development, improved transportation facilities and water and soil conservation are imperative, even though such projects do not contribute directly to national income. These urgent national developments have first claim on overseas' credits and will moreover place a heavy load on the domestic economy.

Unless the international situation changes, however, 1953 should be a good year, with a large measure of domestic prosperity distributed throughout the economy.

—KENNETH F. NOBLE

Canadian Government Trade Commissioner

Southern Rhodesia—*rapid expansion is checked.*

JOHANNESBURG—The year 1952 brought certain checks to the Colony's rapid and almost unrestricted expansion ever since 1946. The increasing demands made upon the exchequer by commerce and industry—and by the transport and power services—brought about a serious situation in March. Measures to meet it and to help the sterling area generally were much more drastic than those introduced at the close of 1951, when the authorities became alarmed at the size of the trade deficit.

This second tightening of controls involved making a positive contribution towards the strengthening of the sterling area reserves, rather than merely limiting the Colony's non-sterling payments to non-sterling receipts, including the proceeds of gold sales. There are no restrictions on trade with the sterling area. The policy for 1953 is to maintain the same degree of control and the same economy in the use of foreign currencies as in most of 1952.

Exports vs. Imports

Apart from the need to support sterling, Southern Rhodesia's own economy needed some attention when the trade returns for 1951 became available. The phenomenal postwar industrial expansion meant a higher level of imports for that year. In addition, the expansion has brought serious transport difficulties. To a large extent building, water, electric light and power supplies, and coal production are all interdependent and all draw on an inadequate transport system. Emphasis in 1952 was therefore placed on imports of essential raw materials for industry and for power and railway equipment. Imports continued to increase but exports, mainly as the result of a record crop of tobacco and greater mineral production, increased even more, to the benefit of the trade balance.

Total value of imports from January to November 1952 was £ 82,-583,139, compared with £ 78,250,486 for the same period in 1951. Exports of local produce for the same months reached £ 42,228,161—some £ 8M more than in 1951. The trade deficit thus shrank from some £ 44M to approximately £ 40M. The United Kingdom remains by far the principal source of Southern Rhodesia's imports, with the Union of South Africa a good second. A feature of the trade in 1952 was substantial increases in purchases from Belgium and Germany—mainly industrial equipment.

Trade with Canada

Canada's exports to Southern Rhodesia for 1952 (\$2,195,100) were lower by \$474,369 than the record value in 1951 (\$2,669,469), but well above the 1950 exports (\$1,202,000). Because of a change in the pattern of trade with the Colony, principal items bought from Canada during the year were wheat, timber, newsprint and wrapping, farm implement parts, mining machinery, motorcar parts, semi-fabricated aluminum, sodium and sodium compounds, aircraft and parts. Much reduced, and in some cases completely gone, is the once valuable trade in malt, linseed oil, rubber and leather products, textiles, wooden casks, hardware goods, farm implements and machinery, motorcars and trucks and metalware.

Southern Rhodesia's exports to Canada have traditionally consisted of vegetable oils, unmanufactured tobacco, chrome ore, and non-metallic minerals. The value of all Canadian purchases totalled \$1,459,000 in 1952 as compared with \$1,496,000 in 1951, and \$401,000 in 1950. The trade balance has thus come back to about two to one in Canada's favour.

Prospects for 1953 are that the demand for Canadian products will be reduced because of the decision to cut imports of timber (the supply position is reported as fairly good), and the beginning of wrapping paper and paperboard production in the Colony. Other goods qualifying for entry under the control regulations should fare about the same as in 1952.

—BLAIR BIRKETT

Canadian Government Trade Commissioner

Northern Rhodesia—*colony has substantial trade balance.*

JOHANNESBURG—This Crown Colony, about twice the area of Southern Rhodesia but with about half as many inhabitants, mainly depends for its livelihood on mineral products—in particular, copper. All other activities are in support of, or complementary to, the mining operations. The progress made in the last three years is indicated by the steadily increasing internal revenue. For 1950 total revenue was £15,900,000; in 1951 the figure increased to £23,660,000, and in 1952 to £25,238,000. The estimate for 1953 is about £30,340,000.

Mineral production generally rose during 1952 and, despite declining prices for copper and zinc, the overall value of output was higher than in 1951. A strike during October and November prevented production from reaching a higher figure.

Licensing Imports

As a Crown Colony, Northern Rhodesia's internal finances and expenditures abroad are controlled from London. In common with other units of the Colonial Empire, Northern Rhodesia is closely restricted in its expenditure on dollar imports. The control follows the usual pattern of licensing imports from the hard currency areas only if they are essential and not available from soft currency sources. Thanks to exports of copper to the United States, Northern Rhodesia has been making an appreciable contribution to the cause of sterling.

On current trading account the Colony has for years enjoyed a substantial balance in favour of exports; 1951 operations resulted in a record balance of over £31 million (exports £67 million—imports £35,400,000). For January-October 1952, export value reached £70,350,000 and import £35,250,000, thus pointing to another overall record trading year and a larger balance. As with Southern Rhodesia, British Commonwealth countries, including Canada, are the main source of Northern Rhodesia's imports. The United Kingdom and South Africa are by far the largest

suppliers. Copper makes up about 87 per cent of Northern Rhodesia's exports; leading buyers are the United Kingdom, South Africa, the United States, Sweden, Belgium, Australia, Southern Rhodesia and Germany.

Purchases from Canada

Between 1949 and 1951, Canadian exports to the Colony fell from \$553,000 in '49 to \$280,805 in '51, largely as the result of restriction on purchases of packaged foods, particularly canned fish and vegetables. Other things which suffered were certain metal products, motor cars, and household appliances. The year 1952, however, has seen a considerable improvement with the value increased to \$467,332. Greater interest in Canadian timber, motor vehicles, iron bars, farm implement parts, mining machinery, wire screening, and firebrick was largely responsible for the recovery.

The year 1953, it is expected, will see the control over expenditure of non-sterling currency continued. The price of copper will largely determine the extent of purchases from hard currency countries.

—BLAIR BIRKETT

Canadian Government Trade Commissioner

Nyasaland—*limited opportunities for dollar goods.*

JOHANNESBURG—The Protectorate of Nyasaland—one of the three territories of Central Africa likely to federate in the near future—has the smallest area of the three, the smallest white population, and the largest black population. It is mainly an agricultural economy, producing for export modest quantities of tobacco, tea and cotton. A little gold is also mined.

During 1952 the tobacco crop brought lower returns than in 1951, the crop was smaller and of poorer quality. Exports of tea, a fair quantity of which goes to the United States and Canada, brought slightly more than in 1951. Against this export trade, increased imports during 1952 served to push up the adverse balance of external trade. At the end of the first eleven months this balance stood at £2,334,745, compared with £1,295,739 for January to November 1951. The position therefore compels the continuance of severe import restrictions in 1953, particularly on imports from all non-sterling countries. It is reported that the greater part of the applications for non-sterling currency have had to be rejected.

During 1951, of a total value of imports of £6,719,183, over 95 per cent came from soft currency sources. The only change in this direction of trade from that of the years before 1950 (the year in which stricter control was imposed on expenditure of hard currency) is decreased buying from the United States—mainly smaller shipments of petroleum oils and greases. Under present conditions imports of dollar goods, which the United States and Canada share on about even terms, consist of small quantities of timber, paper, motor cars, lamps and lanterns, and agricultural machinery and parts.

—BLAIR BIRKETT

Canadian Government Trade Commissioner

British East Africa

- *Agriculture is still the main industry.*
- *Mining becomes important as new minerals are found.*
- *Great need for capital overshadows the economy.*

JOHANNESBURG—British East Africa comprises the Colony and Protectorate of Kenya, the Protectorate of Uganda, the trustee territory of Tanganyika, and the Protectorate of Zanzibar. In all, the area covers about 700 thousand square miles and supports a total population of 18,100,000, only 44 thousand of which are white. Economically, Kenya is the most advanced of the four territories.

Agriculture is still the main pursuit of the inhabitants, but in recent years interest has developed in mining, particularly in Uganda. Apart from the processing of locally grown cotton, sisal and tea, manufacturing is limited to the production of dairy and fruit products, soap, wattle extract, paints, sisal bags, furniture, blankets, shoes and clothing. Plans are advancing for factories to manufacture cotton yarn and piece goods, cotton blankets, cement, and a few other commodities.

Exports Increase

Of great dollar-earning value to the territories is their export trade in coffee, tea, sisal, tobacco, and coconut oil. Diamonds, sodium carbonate, and hides and skins are also important. Practically all these exports have increased during the past few years. In 1951 Uganda's total exports were valued at £47.4 million; Tanganyika's at £39.5 million; Kenya's at £25.4 million and Zanzibar's at about £6.2 million. Normally, the United Kingdom is the largest purchaser, with the United States next in importance. Canada's imports from British East Africa for 1952 were \$7.98 million (\$10.86 million in 1951).

Larger Low-Priced Imports

Imports cover the usual range of goods and materials required by an agricultural community, plus equipment and machinery for the mines. Because of the small white population, imports of consumer goods are largely low-priced articles for the Asian and African communities. Canada's exports to British East Africa during 1952 were valued at \$1,030,964 (\$1,443,803 in 1951).

Most of these countries have favourable trade balances. Other sources of income are inflows of capital, earnings from tourists and hunters and, for Kenya and Tanganyika, port revenues.

Import Controls

In common with other units of the Colonial Empire, British East Africa has been required to assist in protecting the sterling area reserves of gold and hard currency by import control. The controls were con-

siderably tightened in 1952 as the result of a substantial step-up in imports in 1951, and a lowering of price levels for agricultural exports which began early in 1952.

The general effect of the import control in the four territories is to limit dollar and other hard currency expenditures. With certain exceptions, goods of sterling area countries are covered by an open general licence and can be imported freely. Goods from other countries require import licences. For soft currency countries these licences are issued without much question but they are issued only for essential supplies from hard currency sources.

Customs Tariffs

Kenya, Uganda and Tanganyika now constitute a single unit for customs purposes and, with a few exceptions, the customs tariffs of the three territories are identical. Zanzibar has a separate tariff. In Kenya, Uganda, Tanganyika and Zanzibar there are no tariffs on agricultural and other machinery, most types of motor vehicles and a number of other commodities, including containers and packaging materials.

Economic Development

Knowledge of the economic potentialities of British East Africa was meagre and unrelated until recent years. Surveys into the hinterland, however, have added much to the information available on the soil, the mineral deposits, power and timber resources. Since 1950, important discoveries of copper have been made in Tanganyika; of niobium, magnetite and apatite in Uganda, and of coal in Kenya. Plans are already under way to develop these resources. Three world famous mining companies have joined with the Uganda Development Corporation to operate a pilot plant in the Tororo area. Power for industry will come from a £20 million hydro-electric scheme, the biggest on the continent, now nearing completion at Owen Falls at the outlet of Lake Victoria in Uganda.

The present encouragement to secondary industry is welcomed by the authorities as an eventual solution to the many problems created by the ever-increasing population and the dependence on deteriorating small land holdings. This applies particularly to Kenya, which is now the testing ground for the development of a multi-racial society.

Capital Needed

Overshadowing the whole picture of British East Africa's economic development and, indeed, its general wellbeing, is the great need for capital. It is urgently needed for projects to overcome the serious bottleneck in rail and port facilities, to help the land-hungry natives towards greater food production, and for many industrial undertakings. This financial support for territories capable of earning and saving dollars for the sterling area must be forthcoming if the economic ills are to be remedied. Full development of the territories' economic resources is regarded as the only long-term solution of the present difficult situation, at least in Kenya.

—BLAIR BIRKETT

Canadian Government Trade Commissioner

Pakistan

- *Slump in cotton and jute markets brings recession.*
- *Imports, especially from dollar area, curtailed.*
- *Wheat shortage forces large wheat purchases abroad.*

KARACHI—In 1952 Pakistan experienced the most critical economic recession in the five years of its existence. Although there are indications that the worst may be over, distressing conditions continue in some phases of the economy. The recession was featured by slumps in the raw cotton and raw jute markets, affecting these two vital cash crops upon which the Pakistan economy depends almost entirely. It was also accentuated by an unforeseen and unusual shortage of wheat, West Pakistan's staple food grain, which meant that dwindling foreign exchange reserves had to be used to buy wheat abroad.

Basically an agricultural country, Pakistan must export to live and to earn the foreign exchange for its imports. Thus jute and cotton, which account for 90 per cent of the country's exports and 99 per cent of its foreign exchange earnings, plus imports, are the keys to the situation.

Demand for Cotton and Jute

During the first half of 1952, foreign buyers began to withdraw from the Pakistan cotton market, prices fell sharply, and the Government was forced to introduce a support scheme. Japan, normally a large buyer, made only small purchases; the United Kingdom's usual big offtake was halved. At the end of August, when the new cotton crop starts to come into the market, there was a carry-over of 300 thousand bales (400 lb. each) from the previous crop. With the new crop estimated at 1,750,000 bales, Pakistan was faced with a formidable amount of cotton to offer in a buyer's market. To the detriment of the country's internal revenues but to assist exports, the export duty on cotton was lowered from Rs.180/-* per bale to Rs.90/- per bale on staple, and the export duty on Desi cotton was abolished. The last quarter, usually the business peak of the cotton season, saw external demand pick up and conditions in the cotton market show encouraging signs of improvement. Unfortunately the quality of Pakistan cotton is not up to standard this year and it is estimated that the carry-over at the end of the current season will be about 500 thousand bales.

Raw jute followed somewhat the same pattern as cotton. The volume of exports, however, was fairly well maintained and the decline in prices was due more to a superabundant supply than to a decline in demand. In February a government support scheme was announced, followed in June by a reduction in export duty from Rs.7/- to Rs.3/- per maund (82·27 lb.), with a special additional export duty of Rs.2/8/- per maund applied to exports to India.

At the end of the season in June there was an unprecedented carry-over of between 2·5 and 3·8 million bales (400 lb. each), when the new crop of more than seven million bales started to come into the market.

* One rupee=approx. 30 cents Canadian.



This jute fibre, drying in the sun, represents one of Pakistan's two main cash crops. Though the demand for jute remains good, especially from India and the U.S., the large carryover of stocks presents a problem.

In the second half, demand improved and external sales were quite brisk. The re-entry of United States buyers into the jute market made a notable addition to overseas demand and the demand from India, Pakistan's best customer, was good. By the year's end, the jute situation was improved but the carry-over presents a major problem. Efforts are being made to meet it by a reduction in acreage.

Lesser exports, such as raw wool, tea, and hides and skins, met similar market conditions. The duty on tea was eliminated in September and the volume of exports was quite good, but prices were so low that the tea gardens suffered. The 25 per cent export duty on raw wool was withdrawn during the first half of the year and by the end of the year the wool market was firm, with a fair demand.

Foreign Trade Suffers

Figures of Pakistan's 1952 foreign trade reflect the seriousness of the recession in the cotton and jute markets. For seven successive months, from March to September, Pakistan's imports for private account by seaborne trade exceeded exports by distressingly large amounts. Only in October, after imports had been drastically curtailed, did the balance become favourable.

By June, when it became obvious that the balance of trade was becoming increasingly adverse, belated measures were taken to restrict credit and to widen the field of exchange control in an effort to curb imports. In November the Open General Licence, under which a generous list of major items used for the development of the country could be imported without licence, was cancelled.

Together with the slightly improved export situation, these restrictions on imports had a salutary effect on the country's trade balances in October, November and December.

Statistics on Pakistan's balance of payments for the quarter July-September reveal a net deficit of Rs.405.9 million (\$121.77 million) as compared with Rs.283.3 million (\$84.99 million) in the previous quarter and only Rs.23.3 million (\$6.99 million) in the corresponding period last year. The deterioration in the balance of payments situation came, of course, from the distinct falling-off in foreign demand for cotton and jute, much lower export prices, and a steep rise in payments.

Wheat Shortage

Although the recession in the cotton and jute trade showed some improvement in the last quarter, the all-important foreign exchange position was bedevilled by Pakistan's unusual wheat shortage.

By June it was apparent that the spring wheat crop would fall short of the country's requirements by several hundred thousand tons. Measures were immediately taken to obtain wheat from abroad by barter, loans and direct purchases. It is estimated that before the 1953 spring wheat crop is harvested Pakistan will have imported approximately 800 thousand tons of foreign wheat. The effect of these imports on the foreign exchange reserves of the country is undoubtedly the main reason for the cancellation of the Open General Licence.

To add to the foreign exchange difficulties, it is now known that the 1953 spring wheat crop will also be insufficient to meet Pakistan's needs. The quantity of wheat which it will have to import during 1953 will be as large, if not larger, than in 1952.

Imports from Canada Up

Despite these distressing economic conditions, Canadian exports to Pakistan in 1952 totalled \$16 million, a substantial gain over previous years. However, exports of products for ordinary commercial use declined considerably in the second half of the year. Shipments of Canadian wheat which Pakistan purchased commercially in Canada accounted for a large part of Canada's exports during the second half. A fair proportion of Canadian sales to Pakistan in 1952 were for government account and hence not subject to import restrictions.

Canadian products which are essential to Pakistan's development program, or needed for maintenance or other necessary uses, should find a continuing, though possibly a temporarily restricted, market. Such things as non-ferrous metals, motor vehicle spare parts, agricultural machinery, heavy chemicals, antibiotics, etc., should continue to sell in limited quantities. Preference in imports will be given to the sterling or the non-dollar area unless dollar area offers are more attractive in price, quality, etc. In fact, on March 2 Pakistan announced that it would curtail dollar imports drastically. Only essential basic materials or manufactured goods will be admitted on private account.

The United Kingdom and Japan, usually two of Pakistan's best customers for raw cotton and, with India, Pakistan's largest suppliers, are almost certain to continue to be Canada's chief competitors in this market.

—A. P. BISSONNET

Commercial Secretary for Canada

India

- *Many industries have increased production notably.*
- *Some controls on food grains relaxed during year.*
- *Larger shipments of wheat marked trade with Canada.*

NEW DELHI—In reviewing Indian economic conditions over the year, the most important single factor is the monsoon and its effects, because the vast majority of the population is engaged in agriculture. The Indian climate includes such a large range—from tropical in the South throughout the year to intense dry heat in summer and cool weather during the winter in the North—that conditions vary considerably in different parts of the country. It is only rarely that the monsoon bestows its benefits on all parts of the country in a single year. In 1952 South India had insufficient rains, although over the past few years failure of the monsoon in that area seems to be the rule rather than the exception. On the whole, however, the monsoon was more satisfactory than in recent years.

Natural disasters such as floods and earthquakes were not so prevalent. As a result of these positive and negative factors, 1952 proved better than previous years. In some spots continued drought still threatened famine but, though distress in these areas has been evident, the authorities have been able to avert major disasters. The standard of living for most Indians, however, remains extremely low. Nevertheless, in many respects the country was better off at the close of the year than at its beginning.

Prices and Production

The belief in India, as in many other countries, that the danger of war has diminished to some extent had a considerable bearing on economic events. The need to conserve raw materials and retain price and other controls was no longer felt to be urgent. The result was that, though prices in the first two months of 1952 tended to decline, March and April saw a sudden and heavy drop in the prices of a wide range of commodities. This forced hoarders to unload their stocks. Although the business community—chiefly the speculative element—suffered heavy losses, the recession had its advantages. Inflation appears to have been brought under effective control and prices for both necessities and consumer goods have been more reasonable.

In industry generally there was a notable rise in production, carrying further the trend begun the previous year. The average general index of production (base 1946=100) based on the figures for the first eight months, touched a high of 126.3 as compared with 117.4 for 1951. The performance of individual industries such as steel, cotton yarn and cloth, coal, cement, sugar, jute goods and salt was even more encouraging, with most industries exceeding their previous records.

This rise was not upset by the sharp recession experienced early in the year; in fact, a slight increase in production followed the recession.

This was mainly because of the prompt action taken by the authorities to relax credit controls to some extent, so that industry was not short of working capital. In addition, a number of export duties were reduced or abolished. There was no severe unemployment and the purchasing power of labour was not affected. It is also probable that the fall in prices of industrial raw materials itself helped to maintain production. So did better relations between labour and capital; there were no major strikes during the year in any industry.

Agricultural Output

Because of climatic conditions, the trend of agricultural production cannot be expected to be uniform. With the exception of oilseeds and tea, all the important cash crops registered increases; those for jute, cotton and sugar were particularly satisfactory. In the oilseeds group, production of both groundnuts and linseed was lower but not to any serious degree.

Reliable statistics on production of food grains in India are not available. Official estimates indicate a decline of about two million tons, largely because of the failure of the monsoon in some parts of the country. If, however, the trend of imports and the behaviour of food grain markets are any indication of the actual output, a fall of over two million tons appears exaggerated because more food grains are available on the market than in 1951. This may be due to the forcing out of hoarded grain, induced by falling prices. Imports of food grains during the current year were substantially lower, at 3.9 million tons as compared with 4.7 million tons in 1951.

Grain Controls Relaxed

For the first time since the unfortunate experiment in 1948, controls on food grains were relaxed over a wide area of the country, beginning in the chronically deficit State of Madras. A number of other states followed suit, some lifting price control or freeing the cheapest grains (such as milo) from rationing, and others relaxing their control over the movement of food grains from one district to another. At the end of the year, about 31.8 million people were under statutory rationing throughout the country, compared with 46.5 million at the beginning. The number of persons served through government fair-price shops has, however, increased greatly, mainly as a result of drought which produced small famine "pockets" in certain districts, especially in the South.

Living Costs Fall

The general level of prices moved in favour of consumers during the major part of the year. Wholesale prices of all commodities declined steadily for the first five months. For the next four months the trend was in the opposite direction, followed by a slight decline thereafter. Compared with pre-Korean prices, the level was slightly lower. Over the year the index showed a fall of 12 per cent.

The fall in wholesale prices in the early months of the year brought down living costs in many parts of the country. In twelve out of fifteen industrial centres, the working-class cost of living is definitely lower than in 1951, although in recent months some rise has again become evident.

The three centres where it was higher over the year were Bombay, Ahmedabad and Delhi. The increase in cost of living in these centres is due chiefly to the withdrawal of food subsidies early in 1952.

Banking and Currency

The success of the anti-inflationary measures initiated by the Government towards the close of 1951 is reflected not only in price levels but also in the monetary and banking field. Between the end of December 1951 and the middle of December 1952, the volume of currency in circulation decreased by Rs.582.4 million to Rs.12,232 million. Similarly, net deposits of scheduled banks declined by Rs.73.6 million to Rs.8,388.4 million. The volume of bank credit went down by Rs.871.7 million to Rs.4,563 million. The credit situation is thus well under control.

The Trade Picture

An unfavourable foreign trade balance of Rs.302.9 million marked the first nine months of 1951; in 1952, the adverse balance during the same period increased to Rs.1,749.8 million. The value of exports declined by Rs.1,133.4 million and the value of imports increased by Rs.313.5 million. The decline in the value of exports can be accounted for mainly by the general drop in prices of raw materials in the early part of the year. Although statistics are not available, it is believed that the 1952 volume of exports will compare favourably with 1951. India's balance of payments was adversely affected last year by the decline in export prices not being compensated for by an equivalent decline in import prices.

Despite this heavy adverse balance of trade, the balance of payments did not present a serious problem because of the large wheat loan given by the United States and because of substantial withdrawals from the sterling balances. Over the year, India's foreign exchange assets declined by Rs.823.8 million and now stand at Rs.6,987.1 million. Considering the country's heavy exchange requirements for development purposes, especially under the Five-Year Plan, it is essential that the promotion of exports be given high priority by the Government, especially jute goods, tea and textiles, India's traditional exports.

Imports from Canada

Canadian exports to India in 1952 amounted to \$55 million, and imports from India to about \$28 million. The balance in Canada's favour thus totalled about \$27 million. Compared with the previous year, Canadian exports increased by \$20 million and imports declined by \$22 million, thus showing a pronounced reversal in the trend of trade between the two years. The notable increase in 1952 came largely from larger shipments of wheat (\$38.6 million) in 1952 as compared with 1951 (\$18.7 million). Apart from wheat, Canadian exports showed no change in 1952 compared with 1951. It is also interesting that, but for wheat, India would have had a favourable balance of trade with Canada. The decline in the value of Canadian imports from India was largely due to lower prices for jute goods and other commodities.

—RICHARD GREW

Commercial Counsellor for Canada

Ceylon

- *World prices for Ceylon's exports have dropped.*
- *Purchases from Commonwealth countries increased.*
- *Sales of flour boosted Canadian exports to Ceylon.*

COLOMBO—Ceylon had a very unfavourable trading year in 1952—perhaps the worst in its history. The value of exports decreased by more than Rs.400 million compared with 1951, and imports increased by nearly Rs.150 million. Thus a favourable 1951 balance of trade of Rs.343 million turned into an unfavourable balance of Rs.205 million in 1952.

The economic position at the close of 1952 could fairly be described as extremely difficult. National income depends to an abnormally high degree on the returns from the export of a limited range of commodities. At the same time, the country depends on overseas sources of supply for a large proportion of its basic foodstuffs, textiles, machinery, transport equipment and other goods. World prices for Ceylon's exports fell off by some 10 per cent; the cost of its principal imports, mainly rice, went up by 20 per cent. The Government continued its established policy of supplying rice, flour and sugar on ration, at prices far below normal market rates, and this absorbed a high proportion of its revenue. Supplementary expenditures went towards civil service salaries, the feeding of school children and in a number of other directions.

Imports Again Restricted

Up to the middle of 1952 there were hopes for some improvement in the country's export trade. Accordingly it was felt that continued expenditure on imports, even from dollar countries, was justified by the desirability of going ahead with development and rehabilitation schemes and the need for maintaining living standards. Soon after, it became apparent that the country's finances were over-strained and that expenditures in dollar countries were excessive. Import and exchange controls, which had been substantially relaxed a year or so before, were accordingly reinstated and it is possible that some further steps will be taken.

Trade by Countries and Commodities

A general review of Ceylon's foreign trade reveals an increase in purchases from Commonwealth countries of some Rs.60 million and an increase in imports from other countries of Rs.85 million. Purchases from individual countries included: United States, Rs.67 million; United Kingdom, Rs.40 million; China, Rs.29 million; Japan, Rs.26 million and Canada, Rs.21 million. There were at the same time decreases in imports from Burma of Rs.45 million; Iran, Rs.34 million, Pakistan, Rs.19 million.

Exports to Pakistan went up by Rs.6 million and to Japan by Rs.3 million. There was also a large but undefined increase in the trade with China amounting to some Rs.90 million. On the other hand, exports to the U.K. fell off by Rs.172 million, to the Netherlands by Rs.51 million, to the United States by Rs.42 million, and to various other markets to more or less the same degree. Exports to Canada were well maintained at Rs.71 million as compared with the previous year's Rs.73 million.

Turning to import trade by principal commodity groups, Ceylon's overseas purchases of grain and flour (including rice) increased in value over 1951 by Rs.100 million. This represents two-thirds of the rise in import values during the year. Other factors of lesser importance were:

Commodity	Increase in value (in rupees)
Vehicles (including motor cars and railway equipment)	22 million
Machinery	19 "
Miscellaneous textiles	11 "
Oilseeds and similar products	11 "
Glass and earthenware	7 "
Coal	6 "

Imports of cotton yarn went down slightly, by Rs.17 million, and electrical equipment by Rs.6 million.

In exports, the most significant decline was in rubber, exports of which were off by Rs.209 million. The decline in coconut products was Rs.93 million and the tea trade suffered to the extent of Rs.80 million. There were, in fact, practically no typical exports which did not show a substantial decline as between the two years.

The decline in the value of Ceylon's exports of coconut products during 1952 was largely in coconut oil. The business in fresh coconuts and desiccated coconut remained substantially the same as in 1951 and the trade in copra showed a sound increase. Coconut oil sales, however, declined in value by almost Rs.100 million and overseas sales of coconut poonac by Rs.4 million. The value of business in liquid latex increased slightly because of recent developments in storage and transport facilities.

Canada-Ceylon Trade

Imports from Canada in 1952 increased substantially in value over 1951—from Rs.17,215,867 to Rs.38,516,511. A large proportion of this resulted from more shipments of Canadian flour. Minor sales of railway ties, agricultural machinery, motor vehicles and dry cell batteries went up slightly. There were, however, substantial declines in milk products and canned fish. A slight falling-off in the newsprint trade was made up by increased business in wrapping and miscellaneous paper.

Ceylon's exports to Canada during 1952 were much better maintained than were her exports to many other countries. The value for the tea trade increased by over Rs.7 million and that for desiccated coconut by more than Rs.1,500,000. There was, however, a decline in rubber exports of Rs.11 million and the net decline for the year amounted to Rs.2,500,000. Altogether, although Canada is one of Ceylon's secondary export markets, the year's business can be regarded as reasonably satisfactory.

The outlook for trade between the two countries this year is very uncertain. Ceylon's imports may be further restricted to highly essential goods such as flour, newsprint paper, railway ties, commercial motor vehicles and a few similar commodities. Exports of tea and coconut products may remain reasonably constant and, depending on world market trends, values may decrease more than actual quantities. The general prospect, however, is for a falling-off in both import and export values.

—PAUL SYKES

Canadian Government Trade Commissioner

Malaya

- *Rubber prices, production and exports slipped.*
- *Trade deficit was offset by invisible earnings.*
- *Imports of cars and trucks from Canada higher.*

SINGAPORE—By comparison with 1951, when Malaya's trade and commerce topped all previous records, last year's economic tempo was much reduced. Excessive imports during the post-Korean boom caused a glut of goods which were liquidated, often at a loss, in 1952. Traders were cautious about placing orders on a falling market and would not risk working capital on new lines. Many firms that expanded during the prosperous years 1950 and 1951 found they lacked sufficient capital, know-how and contacts to make their new ventures profitable after the boom subsided.

Other indications of the trend towards more stable and normal business conditions were:

- A steady drop in money in circulation during 1952 following eighteen months of increases.
- Falling banking statistics. For example, advances fell from M\$703 million in January to M\$484 million in December.
- Virtually no change in the official cost-of-living index during the year, whereas throughout the previous two years it rose steadily.
- A decline of 20 per cent in imports and 37 per cent in exports, resulting in an unfavourable trade balance.

Rubber and Tin

Economic activity in Malaya and Singapore depends almost entirely on two things: first, rubber and tin, and second, entrepôt trade with neighbouring countries. Returns from rubber and tin depend on world supply and demand and the level of entrepôt trade is governed by the prosperity of the nearby raw material producing areas such as Indonesia, British Borneo, Thailand and Burma. The Federation of Malaya produces the rubber and tin and the Colony of Singapore handles two-thirds of the trade and shipping.

Rubber is the bellwether of the Malayan economy and the rubber market is as sensitive to outside influences as any commodity or stock exchange. During 1952 production slipped by 18 thousand tons to 587,342 tons and exports (including re-exports, mainly from Indonesia) dropped by 20 per cent to 915,294 tons. A more serious decline in price took place from January's M\$1.40 per lb. f.o.b. Singapore to 75 cents per lb. in September. At this price, rubber production is just profitable; a further reduction would produce serious economic and political repercussions. As it is, to some extent Malaya is living off the profits made during the 1950 and 1951 boom in rubber when the price soared to M\$2.30 per lb.

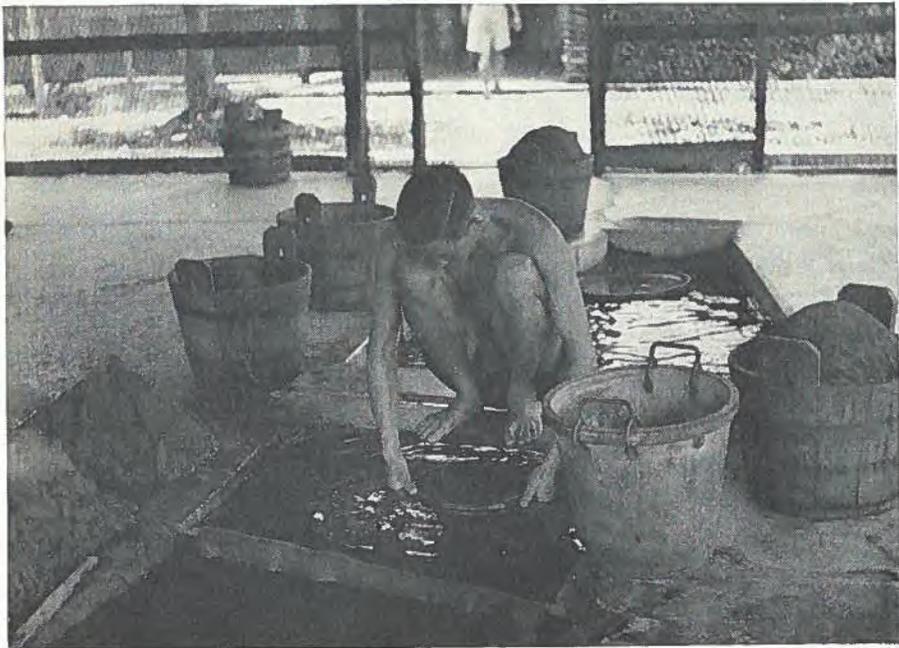
The entrepôt trade between Singapore (and, to a lesser extent, Penang) and neighbouring countries is a most complicated business. Singapore's strategic location on the shipping lanes between China and Japan and countries to the west make the colony a natural collecting and distributing centre for the whole of Southeast Asia. Rubber, tea, spices, copra, etc., are brought to Singapore for trans-shipment, grading and processing. Singapore merchants import textiles and consumer goods from overseas and re-export them to neighbouring countries. This position as middleman is a precarious one and Singapore has often been circumvented because of foreign government controls, or the hard facts of a cheaper source or a more profitable direct connection.

Trade statistics do not tell the whole story, but they do give an idea of the trend in the entrepôt trade. Malaya's imports from Indonesia dropped by 37 per cent in 1952 but they were still above the figure for 1950 and previous years. Exports to Indonesia fell by 17 per cent but again they were well above 1950 values.

Trade and Finance

Annual trade figures for Singapore show that imports declined by M\$909 million from 1951 and that exports dropped M\$2,282 million. Again rubber was the dominant factor. The decrease in value of rubber imports was M\$609 million and of rubber exports M\$1,403 million. The decline in value of other imports and exports was rather less.

The favourable trade balance of 1950 and 1951 was reversed last year when Malaya had an adverse balance of M\$52.6 million. This was more than offset, however, by invisible earnings—for example, expendi-



—Central Office of Information

Forty per cent of the world's tin comes from Commonwealth countries—and a large proportion of this from Malaya. Here a Malayan is carefully sluicing the tin ore in special washing troughs away from the mine.

tures by the United Kingdom of some £25 million for the maintenance of service personnel, depots, airfields, etc.

Although Malaya is a substantial contributor to the sterling area's dollar pool (last year Malaya's net earnings of dollars approached US\$200 million), import restrictions apply to non-sterling and particularly dollar sources of supply. However, importers can obtain non-essentials not included on the "free" list by using the free foreign exchange market in Hong Kong. In 1951 some 30 per cent of total imports from Canada and 50 per cent from the United States were bought in this way. The proportion during 1952 fell to 10 and 37 per cent respectively, despite a more favourable free market value for the U.S. dollar. The main reasons for the declining interest in this method of importing is, first, a well-stocked market and second, few firms have any interest in trying new lines at a time when business conditions generally are slack.

Trade with Canada

Although Canadian trade via Hong Kong fell from M\$9.9 million in 1951 to M\$3.8 million in 1952, total Malayan imports from Canada showed no change. This is encouraging in view of the decline in overall imports, including those from the United States. A drop of about M\$7 million in Malaya's imports of foodstuffs from Canada was compensated for by a rise of the same amount in imports of motor cars and trucks. But in 1953 no licences for direct imports of Canadian vehicles will be issued.

There was a very sharp decline in Malaya's exports to Canada from M\$154 million to M\$66 million—proportionately greater than the 37 per cent decline in the country's total exports. Rubber exports fell by M\$66 million and tin exports by M\$200 thousand. The decline was due partly to a drop in f.o.b. prices and partly to decreased volume of exports. The main reason for the falling off in volume of rubber sales to Canada was the greater use of synthetic rubber in the Dominion.

The business prophets who, at the beginning of 1952, predicted a poor year were over-pessimistic. Now, few are willing to commit themselves on the outlook for 1953. These are the factors which will influence business conditions in 1953:

- First and foremost, the price of rubber, which in turn depends on world political conditions, the price of synthetic and a possible international agreement.

- Business conditions in Indonesia, which is Malaya's biggest supplier and third most important customer.

Import controls, although an obstacle to trade with Canada, are not as serious a consideration in Malaya as they are in other sterling area countries because articles for which licences for direct import are refused can be purchased through Hong Kong. Apart from the present dullness of the local market, the greatest deterrent to expanding Canadian trade is a lack of interest in Canada as a source of supply. Exporters who have done business in Malaya and Singapore are advised to contact their agents for their views on the prospects for renewed trade. In some cases the Trade Commissioner in Singapore can assist by recommending new contacts if there is a chance of doing business.

—D. S. ARMSTRONG

Canadian Government Trade Commissioner

British Borneo Territories

- *Lower rubber prices affect Sarawak exports.*
- *Brunei's oil output five million tons a year.*
- *Timber monopoly ended in North Borneo in '52.*

SINGAPORE—The British Borneo territories—Sarawak, Brunei and North Borneo—had a reasonably good year in 1952 but, like the rest of Southeast Asia, it was not up to the record of 1951. In general, imports remained at the same level but there was a fall in exports because of declining world prices for raw materials, particularly rubber. Development work and reconstruction of war damage proceeded at a satisfactory pace, but there is still a great deal to be done to put the colonies solidly on their feet. Future plans, such as extension of almost non-existent communications and harbour improvements, will be difficult to execute and finance out of ordinary revenues at present commodity price levels, because most of the revenue comes from export and import duties based on f.o.b. values.

With certain exceptions, most of the import and export trade of the British Borneo territories passes through Singapore. The exceptions are bulk cargoes such as oil, timber and rice, which are shipped direct. All the important trading companies in Borneo are branches of Singapore firms. Finally, import controls, although administered individually, follow very closely the policy and details practised in Singapore and Malaya.

SARAWAK

The Colony of Sarawak, famous for three generations of rule by the Brooke family, depends largely on rubber. No statistics are available for 1952 but it is safe to surmise that the value of rubber exports was well down from the M\$158·9 million of 1951. The same is probably true of most other Sarawak produce, such as sago flour, jelutong, guttas, damar, copra and timber. Pepper production and exports, however, have increased year by year after complete devastation of the industry by the Japanese. As there has been no great drop in world pepper prices, the value of last year's exports from Sarawak must have equalled or exceeded the figure of M\$18 million in 1951.

BRUNEI

The tiny Sultanate of Brunei, a British protectorate, is in a different position from the other two colonies. The country was, until Canada's recent oil development, the most important source of oil in the British Commonwealth. The oil industry, a Shell subsidiary, is in fact the sole basis for Brunei's tax-free prosperity and high rate of employment.

Other local industries such as lumbering supply the oil company and do not depend on exports. Again, statistics for 1952 are not available but oil production is said to be about five million tons a year. New drillings, both submarine and deep, in the jungle south of Seria were undertaken during 1952. About half the production of the Seria oilfield is refined in Miri in Sarawak; the rest is shipped abroad in crude form.

NORTH BORNEO

The foreign trade of North Borneo fell, in common with trade throughout Southeast Asia. Imports, at M\$703 million, showed no change from the previous year but exports declined from M\$113.7 million to M\$64.7 million, thus creating an adverse balance of trade. The drop in world copra and rubber prices during 1952 was the main reason for low export values.

Government revenue, however, held up surprisingly well. Ordinary revenue exceeded ordinary expenditure by M\$7 million, even though expenditure increased last year by nearly M\$4 million to M\$14.3 million. Since 1949 North Borneo has been able to spend out of taxation over M\$29 million on reconstruction and development.

FORESTRY CONCESSIONS

The most important economic news of 1952 was the termination of the timber monopoly of the British Borneo Timber Co. This monopoly, dating back to 1920, gave the company complete rights to 95 per cent of the forests, exemption from import and export duties, the right to sublease areas, and jurisdiction over markets. In return the company paid the Government a royalty of three farthings per cubic foot and 10 per cent on net profits. Concessions have now been granted to eight companies, including United States and Philippine interests, who must produce a cutting and conservation plan for the approval of the Conservator of Forests before beginning any extensive operations.

—D. S. ARMSTRONG

Canadian Government Trade Commissioner

COMMONWEALTH AND WORLD TRADE

The Commonwealth accounts for a substantial share of the world's trade. Since 1948 the proportion has varied between 33 to just under 30 per cent. Two Commonwealth countries, the United Kingdom and Canada, now rank among the four largest trading countries in the world. The U.K. is second only to the United States, and Canada comes next to France and ahead of Germany.

The Commonwealth countries are important suppliers of many raw materials such as non-ferrous metals, asbestos, rubber, jute, wool, tea, as well as many manufactured goods. At the same time, sterling Commonwealth countries are large markets for foodstuffs such as wheat, capital equipment, and some industrial raw materials such as Canadian softwood lumber and nickel.

Hong Kong

- *Colony is becoming adjusted to new trade climate.*
- *Trade with Asian countries (except China) growing.*
- *Canada's trade with Hong Kong goes down slightly.*

HONG KONG—Hong Kong's total trade in 1952 was valued at HK\$6,678·5 million, down nearly 30 per cent from the peak figure of HK\$9,303·3 million attained in 1951. Despite this almost appalling drop, the position at year's end was anything but disastrous. In fact, 1952 was not without a certain grim satisfaction, everything considered. The downward rush of imports and exports in the last half of 1951 had prepared the Colony for bad times but the net position reached in 1952 was better than expected.

The pace of business over the twelve months was fairly steady, with none of the violent fluctuations which characterized 1951 and the second half of the year showed a heartening improvement. Most important, 1952's record suggests that the Colony's entrepôt trade has at last become fully adjusted to the effects of strategic materials controls and other economic sanctions invoked against Communist China. And there were no trade reprisals by the Mainland.

Despite lower gross trade values primarily due to enforced decreases in commerce with its traditional chief trading partners—China, the United States, the United Kingdom, Malaya—Hong Kong made capital of adversity by sharply increasing its trade with other Asian countries in general, and with Japan, Indonesia, Thailand and Taiwan in particular.

Effect of Controls

Most of the drop in trade values between 1951 and 1952 can be attributed to three factors. First, there was the greater effect, during 1952, of the strategic materials controls impeding Hong Kong's trans-shipment trade with China. These controls antedated 1952, of course—the United States has been enforcing its export embargo against Communist China since December 1950, the UNO resolution withholding strategic materials from China became operative in May 1951, and Hong Kong's own similar controls were introduced in June 1951. Their joint impact, however, first became telling in the second half of 1951. But 1952 was the first full calendar year in which these controls operated both from abroad at the source of supply and from within the Colony itself. A comparison of Hong Kong's average monthly values of total trade over the two years emphasizes the point. For the six months January-June 1951 the average figure was HK\$903·4 million; during July-December 1951, HK\$647·2 million; for the twelve months of 1952, HK\$556·5 million. An examination of the actual commodities traded over the period leaves no doubt that cessation of commerce in strategic materials wanted by the mainland accounts for much of the net trade loss.

Second, there was Hong Kong's peculiar sensitivity to those specific economic sanctions against Communist China applied by the United States, the only country with a complete trade embargo against the Mainland. Much of the United States former postwar trade with China was conducted via Hong Kong, making U.S. the Colony's second most important trading partner after China itself. But with the introduction of the American embargo against China all this trans-shipment activity ended and as a result, by 1952 the United States dropped to seventh place in Hong Kong's trade rankings.

Trade with U.S. Declines

The Colony's import figures reflect this decline. Average monthly imports from the United States decreased from HK\$54.6 million in 1950 to HK\$31.1 million in 1951 and to HK\$18.4 million in 1952. But it was not only the import trade which suffered—Hong Kong's traditional exports of China produce and Chinese-type goods to America contracted as well. From March 1951, U.S. import regulations prohibited further entry of goods of Communist Chinese origin and this in itself was a blow to the Colony's entrepôt business. Then, from August 1951 the United States widened the prohibition to include all Hong Kong manufactures made from raw materials of Communist Chinese origin and proclaimed the working presumption that thenceforth all Hong Kong exports of Chinese-type goods would be considered of Communist Chinese origin and accordingly prohibited entry, unless the contrary could be proved. This last elaboration affected many of the remaining customary exports of the Colony to America and the cumulative effect was a serious reduction in Hong Kong's export trade by the end of 1952. Average monthly values of shipments to the United States, which in 1950 had been HK\$25.7 million, declined to HK\$13.5 million in 1951 and in 1952 to HK\$9.6 million.

It was inevitable that injustices to Hong Kong itself should arise out of the U.S. action against Communist China and from the outset the Colony's Government put forth every effort to eliminate what could be regarded as unwarranted discrimination. Washington happily received these representations sympathetically and during 1952 the following very important adjustments were made:

- The resumption of supply of American raw materials, such as raw cotton and tinmill products, sorely needed by Hong Kong's industries, against guarantee of bona fide consumption within the Colony and satisfactory assurance that none of the finished products would go to China.
- Relaxation of United States export controls on non-strategic items so that American goods of this type might again move in transit through Hong Kong to approved trans-shipment markets, subject to safeguards preventing their diversion to China.
- Agreement upon a system of comprehensive certificates of origin for Hong Kong products whereby those that had no Chinese content might be clearly identified and thus become eligible for entry to the United States.

The third reason for the decreased trade in 1952 was the temporary halt in Communist Chinese buying and selling activity during the first half of the year. This was the time of the Wu Fan or "5-Antis" purge against corruption, pressed home by the authorities on the Mainland. In this campaign every single Mainland business enterprise, private or public, was forced into idleness sometimes for weeks on end, while its past record was subjected to the closest scrutiny.

Effect of Chinese Purge

The effect of this purge on business in Hong Kong can be traced in the trend of the Colony's average monthly trade figures vis-à-vis China only, over the 18 months July 1951 to December 1952—i.e., a period when all other trade controls were unchanged in intensity. For the six months July-December 1951 the average monthly value was HK\$137.4 million; during the lifetime of the purge, January-June 1952, HK\$86 million, and subsequently HK\$140 million.

The net gain from this full-scale resumption of buying and selling by Communist China almost in itself accounted for the improvement in Hong Kong's trade in the second half of 1952. The average monthly value of total trade from January to June was HK\$527.4 million, but from July to December HK\$585.7 million. It seems reasonable to conclude that the latter level should be the standard by which to gauge future trade prospects, other things being equal.

Incidentally, Hong Kong's trade with China in 1952 resulted in the Colony's first import surplus with the Mainland in many years. The development stemmed partly from the strategic materials controls withholding goods from China, partly from the working-out of certain current trade policies of China itself. The latter included the Mainland's own import restrictions imposed to support an internal austerity program, an increased stress on exports to acquire foreign exchange, the diversion of more of China's import needs to Soviet bloc sources, and an increased tendency for imports to bypass Hong Kong because of larger shipments direct to Chinese ports.

Trade with Asian Countries

A feature of the year was the marked improvement of Hong Kong's trade with the countries of Asia, exclusive of China, when taken as a whole. Curiously, all-Asia's proportionate share of the Colony's gross trade has remained constant from 1950 to 1952—67 per cent each year—but the relative importance of individual countries has changed considerably. Though Communist China remained Hong Kong's most important single trading partner, its share of the Colony's total trade has steadily receded from 28 per cent in 1950 to 27 per cent in 1951 and to 20 per cent in 1952. Over the same period, the share of Macao (which can usefully be coupled to China's) declined from 4 per cent to 2 per cent. This relative lessening of the Chinese sub-continent's importance was paralleled and offset by the increasing significance of Hong Kong's total trade with the rest of Asia—from 35 per cent in 1950 to 36 per cent in 1951, and in 1952 to 45 per cent.

Japan, Indonesia, Thailand and Taiwan, in particular, were the Asian countries with which Hong Kong notably increased its trade in 1952. The rises were partly due to the essential importance of the Colony's trans-shipment facilities in the moving of Japanese industrial products to Asian markets, and partly due to increased exports of Hong Kong's own manufactures direct to such markets. Though postwar Japan is most anxious to develop Asian export outlets for her goods, she has been hampered by exchange problems. Financially, she is in the hard currency area though her erstwhile markets in Asia are nearly all soft currency countries. However, in September 1951 the United Kingdom-Japan agreement was signed, whereby all trade between the British Empire and Japan was to be on a sterling payments basis thenceforth. This meant that Japan could make use of Hong Kong's entrepôt to reach Asian markets. In consequence, the Colony's imports from Japan increased so rapidly that in 1952 Japan became Hong Kong's second most important single trading partner and the Colony's chief sterling source of imports—most of which were trans-shipped, as designed. On the other hand, Hong Kong's own manufactures of low-cost items, also of peculiar interest to low-income markets, were becoming more and more attractive to outports in Asia. During 1952 their export value reached the postwar peak of HK\$486.2 million, or 16.8 per cent of the Colony's total export trade.

The increased trade from both trans-shipment of Japanese products and direct sale of Hong Kong products was specially marked with Indonesia, Thailand and Taiwan, which moved up to fourth, sixth and eighth places respectively in the Colony's trade ranking.

Trade with Canada

In this ranking, Canada's trade is virtually unplaced. Our total trade with Hong Kong in 1952 was HK\$97.9 million, down slightly from 1951's record figure of HK\$104.3 million. Actually our exports to Hong Kong were down by 10 per cent, at HK\$78.5 million, and, as usual, were made up of flour, lumber, motor vehicles, chemicals, pharmaceuticals, newsprint, and metals, with quantities restricted to the needs of the Colony. Our imports from Hong Kong were up by 20 per cent over 1951, to HK\$19.4 million—and consisted mostly of China produce and local manufactures. Prospects for enlarging our trade are influenced by our strategic materials control policy on the one hand, and by the availability or competitive pricing of China's offerings and the attractiveness of the Colony's manufactures on the other.

Hong Kong's immediate outlook is reasonably bright because the Colony does seem to have adjusted itself to the new trade climate. But Hong Kong is acutely conscious that this climate is beyond its control and to this extent the future is uncertain. Changes in the Korean situation, the attitude of the United States and the UNO toward the Chinese Communists, and vice versa, even the working out of China's new trade policies will all be significant for Hong Kong, whose traditional resourcefulness and adaptability may yet be tested further.

—T. R. G. FLETCHER

Canadian Government Trade Commissioner

Australia

- *Import restrictions bring favourable trade balance.*
- *Bigger wool clip expected, with better prices.*
- *Industry becoming more efficient, production rises.*

SYDNEY—The year 1952 saw many changes in the Australian economy, partly because of anti-inflationary measures taken by the Government and partly because of the return to more normal conditions after the postwar and post-Korean boom. Early in the year, credit restrictions which had been imposed by the Government began to have their effect and investment funds became tight. The direct and anticipated result was reduced business activity, particularly in the production and sale of less essential goods and in trading activities on the stock market.

Construction of many large public works and building projects was curtailed and by mid-1952 there was gradually increasing unemployment for the first time in many years. This unemployment did not reach significant proportions by world standards, but Australia considered it serious and producers, traders and the public generally felt a loss of confidence. Because of the employment situation and also pressure from the trade unions, the Government's large-scale immigration program was cut drastically.

This decline in economic activity might have been expected to bring some decline in the cost of living. This did not happen, largely because of the Australian system of adjusting wages to a cost-of-living index quarterly. The cost of living, and therefore the basic wage, continued to increase each quarter, although the rate of increase declined considerably in the last quarter of 1952. The latest adjustment to the basic wage (which became effective the first pay period in February) varied from city to city but on the average there was no change, an indication that the cost of living had remained unaltered.

The Brighter Side

Despite these adverse conditions, the year was not without its better features. Many shortages which had almost become part of the Australian way of life were overcome and it was possible to abolish controls on various building materials and to eliminate a wide range of price controls. Consumer resistance to high prices and the more cautious attitude of the consuming public resulted in greater efficiency in many industries. By the year's end, the Australian economy seemed much more healthy than it had been for some time. Capital issues and credit controls were substantially eased and the restoration of public confidence was reflected in record December retail sales and in the more confident tone on the stock market. Prospects at the beginning of 1953 appear much more favourable, unemployment is falling, prices appear to be stabilized and general economic activity is reviving.

Australian agriculture during the first half of 1952 saw a drastic reduction in the wool cheque for the year 1951-52 and a severe fall in exports of meat and dairy products. At the end of the second half of the year, sales of wool were about £28½ million higher than in the corresponding period in 1951, with prices 5 to 10 per cent higher and a bigger wool clip estimated. Coupled with this is a much larger wheat crop than was expected, enabling Australia to increase its IWA wheat quota to 80 million bushels from 60 million bushels last year. Good crops of other grains are being harvested and prospects indicate a better-than-average yield of dried vine fruits.

Agricultural Production

Production of meat is higher and it is predicted that about 100 thousand tons more meat will be exported this season. Exports of frozen and canned meat are expected to earn about £45 million this season.

Milk production was higher during the five months July-November 1952 than for any similar postwar period. The value of butter exports for the five months July-November 1952 was £7,835,000, compared with £1,345,000 for the same period last year. Exports of dairy products during the 1952-53 season are expected to be substantially ahead of last year. Returns from the sale of eggs and egg products were higher in 1952 than in the previous year.

The 1952 sugar harvest is estimated at 920 thousand tons and the extension of the 1951 Commonwealth Sugar Agreement until 1960 has given the industry stability. A price increase of £3.16.8 per ton on the 1952 price has been granted for sugar exported within the quota from the 1953 harvest.

Industry More Efficient

The most encouraging feature of the year was the great increase in efficiency in Australian industry, brought about partly by management's attempts to keep down costs and partly by the workers' increased efforts coupled with a low incidence of strikes. Production of iron and steel, coke, coal, bricks, cement, tiles, most metal products and electricity increased substantially—and all these have been in extremely short supply of recent years. The clothing industry, which experienced a serious slump in 1952, is now more prosperous, thanks to £15 million worth of defence orders. Costs in this industry are, however, high, and without substantial protection it is doubtful whether activity can be maintained at anywhere near present levels.

The building industry was also affected adversely during the year but with a renewal of economic activity and better supplies of many materials, prospects for 1953 are much more favourable.

Development of Australia's uranium resources at Rum Jungle in the Northern Territory made progress and a loan of up to £10 million was arranged through the Combined Development Agency of the United States' Atomic Energy Commission. Work on this project has already begun and it is expected that a refinery will be producing early in 1954. Output will be shared among the U.K., the U.S. and Australia.

Heavy investment in Australian basic and secondary industries is expected during 1953 and expansion programs already begun or under

consideration include £ 80 million for petroleum refining; £ 25 million for chemicals, cement and fertilizers; £ 40 million for engineering industries; £ 50 million for ferrous and non-ferrous metals; £ 5 million for food processing; £ 5 million for textiles, and £ 10 million for paper.

Australia has seen a significant amount of industrialization in recent years and inevitably some uneconomic industries have grown up under the protection of import licensing and dollar shortages. The majority of Australian industries, however, are economic considered by any standards. So far there have been few exports of manufactured goods, but it is likely that the future will see increasing emphasis on exports of manufactured goods and a relative decline in agricultural exports.

Overseas Trade

After the almost disastrous trading experienced during the fiscal year 1951-52 (ending June 30, 1952) which resulted in an adverse trade balance of £ A377,603,000, or over 50 per cent of total exports, the first seven months of the present fiscal year showed a remarkable improvement. The seven months ended January 31 recorded a favourable balance of £ A178 million, compared with a deficit of £ A264,900,000 for the same period last year. This improvement can be largely attributed to the drastic import restrictions imposed toward the end of the last fiscal year, the effect of which became evident early in the present fiscal year. Climatic conditions have also been more favourable this year and this helped to increase the volume of exports of wool, foodstuffs of animal origin, butter, lamb, tinned meats and minerals. Wool prices have stabilized to some extent.

Restrictions on imports from the soft currency area have already been modified to some extent and one-quarter of the restrictions imposed last March have now been lifted. It is possible, provided conditions permit, that there will be further relaxations during 1953.

Australia's adverse trade balance with the dollar area increased to £ A19,856,000 for the first six months of the 1952-53 financial year from £ 8,053,000 for the same period last year, because of a substantial decline in exports to the dollar area and a small decline in imports. The decline in the value of exports came largely from a decreased volume of wool exported, though the increase in price partly counteracted this.

Trade with Canada

Canada's exports to Australia continue to be confined to essential goods which cannot be obtained from soft currency areas. With increased dollar difficulties in early 1952, Australia intensified its import restrictions against dollar goods. So far this has had no effect upon total Canadian exports, although exports of some individual products may have been reduced. In 1951 exports to Australia amounted to \$49.1 million and this past year to \$49.7 million. There has been a very considerable drop in imports from Australia—from \$46 million in 1951 to \$22 million (partially estimated) in 1952. Lower Canadian imports of wool at reduced prices account for much of this decline. Principal imports from Canada are automobile parts, lumber, newsprint, wood pulp, aluminum and asbestos. Principal exports to Canada are wool, dried fruits and canned fruits.

—C. M. FORSYTH-SMITH
Assistant Commercial Secretary for Canada

New Zealand

- *Business revived during '52, after slight recession.*
- *Production, exports of meat and dairy products up.*
- *Quality of wool lower because of wet season.*

WELLINGTON—New Zealand's economy is based solidly on agriculture and although, of recent years, secondary industries have received a great deal of encouragement, their influence does not extend outside the country. In 1952, of the £216 million earned from exports, all but £2 million came from shipments of agricultural products. During the year the price for wool showed a tendency to decline from the high prices of the previous year, but still remained firm when compared with the long-term average. Prices for meat and dairy products continued to increase and were accompanied by greater production and exports. World demand for these products tends to increase more rapidly than production, which suggests that the larger output planned for the near future should be readily absorbed by the world's markets.

Import Restrictions Necessary

New Zealand has not yet fully recovered from the effects of the war and has turned to severe import restrictions to maintain her international financial position. As an integral part of the sterling area, the country is determined to co-operate completely in the task of rehabilitation. Thus, although the balance of payments with the dollar area shows a small favourable balance, strict control is maintained over all imports paid for in dollars. Sterling imports are also controlled but the restrictions are fewer and exchange quotas greater. In practice, all applications for dollar imports are carefully scrutinized, first to discover whether the goods are available from the sterling area and second, to determine whether or not they are essential.

The secondary industries rapidly springing up under tariff protection are drawing heavily on agriculture for labour. Higher wages and the forty-hour industrial week appear more attractive than farm work and, as a result, agriculture suffers from labour shortage. Secondary industries, on the other hand, continue to develop and the demand for urban workers is increasing. Though New Zealand has no unemployment problem, labour is enjoying a seller's market and is inclined to take advantage of it.

Battling Inflation

Under such conditions—a buoyant export market for its agricultural production, constant competition in industry to attract labour, with the resulting larger payrolls—New Zealand began to boom shortly after the end of the war and inflation set in. Imports of consumer goods rose and local manufacturers, wholesalers and retailers began to build up their inventories. For many years import licensing had been used, but it was



From typical dairy herds like this one, New Zealand produced in 1952 a record quantity of dairy products, particularly butterfat. High rainfall kept pastures lush throughout the year.

relaxed to a great extent after the war. Now it was found necessary to re-impose it, with even greater restrictions, particularly on dollar imports and, to a lesser but appreciable extent, on sterling imports. In a further endeavour to curb inflation, credit restrictions were introduced early in 1952. In a country such as New Zealand where marked industrial expansion is taking place and mechanized and scientific farming is supplanting older methods, easy financing is needed and most operations were being financed largely by bank overdrafts.

Slight Recession During Year

Labour shortage and the forty-hour week meant that, if production were to meet demand, overtime labour in industry was essential and take-home pay was thus greater. With inventories full and credit restrictions looming, the movement of stocks began to slow down output and there was less overtime padding of payrolls. The outlook for 1952 was not too bright and a slight recession occurred, which was not nearly as serious as some had feared. Retail sales in many lines decreased and retailers reported that the buying public was becoming more discriminating and value-conscious. Towards the end of the year business revived and seems to be levelling off at a point slightly below 1951.

The Government has been criticized for the anti-inflationary methods it employed. Some persons feel that increased interest rates would have been a sounder approach and something may be done in this direction. The result may be to attract more private investment. Bankers' demand deposits with the Reserve Bank increased from £69 million in 1951 to £89 million by the end of January 1953; deposits in private banks remained steady. Note circulation was, on the whole, less than in 1951.

The year 1952 saw an exceptionally high rainfall distributed over the twelve months and practically no dry periods. As a result, the pasture lands continued lush throughout the year. This made it possible to produce a record quantity of dairy products; butterfat reached an all-time record. Beef production also increased and at the end of the year the sheep population was at an all-time high. Shearing got under way somewhat late in the year because of the prolonged rainy spell in December, but excellent stocks of wool reached the auctions. Prices, though they were below the peak of two years ago, maintained a firm to strong position throughout the sales, though qualities deteriorated slightly because of the wet season.

Wool Receipts Lower

New Zealand's balance of international payments for 1952 showed an overall deficit of over £23 million, compared with favourable balances of over £14 and £16 million in 1951 and 1950. Much of this was due to a falling-off in the receipts from wool sales; other export commodities maintained a satisfactory position. The wool situation should not be taken as a deterioration of the export market, because the previous two years were extraordinary and prices for wool approached the fantastic. The 1952 prices were well in line with, and sometimes superior to, the long-term average. Imports of merchandise for private account fell off slightly, but government imports increased from £19 to £30 million.

The late shearing partly accounts for the poor showing of wool exports. Although business calculations are usually based on the calendar year, south of the Equator the calendar year and the trading year do not coincide as they do in the Northern Hemisphere. Thus a better picture of conditions is obtained from the year June to June rather than January to January.

Trade Prospects

New Zealand's trade with Canada, as with that of the rest of the dollar area, has suffered in proportion to the amount of dollars available for import payments. Exports to New Zealand declined from \$21.8 million in 1951 to \$18.8 million in 1952. Prospects for an overall increase in Canadian trade in the near future are not good, but there may be expansion in some lines, particularly equipment for heavy industry and machinery. It is not possible to say whether these goods will be paid for by curtailing imports from other parts of the dollar area or by a mere shift in the incidence of purchases from Canada. Increased exports to North America would naturally be highly beneficial and local authorities are keeping an eye open to such opportunities.

Canadian imports from New Zealand declined considerably—from \$30.1 million in 1951 to \$14.3 million in 1952. Lower wool imports account for much of this.

—L. S. GLASS

Commercial Secretary for Canada

Trinidad

- *Oil industry made progress; future uncertain.*
- *World Open General Licence system curtailed.*
- *Purchases largely directed to sterling area.*

PORT-OF-SPAIN—The main economic developments in Trinidad during 1952 included:

- A further switching of purchases from the dollar to the sterling area as the colony attempted to live within a strict dollar budget.
- The dropping of a number of commodities from the World Open General Licence list as a means of controlling dollar imports.
- The pricing of some Canadian goods out of the market because of the premium on the Canadian dollar.

The British West Indies Trade Liberalization Plan operated during the year, allowing many Canadian exporters to keep a sales foothold in the colony.

The Island's economy is dangerously dependent on the export of refined petroleum and, to a lesser extent, on sugar and cocoa. During the year the oil industry made good progress but some feel that, unless there are new oil discoveries, production may decline within the foreseeable future. The need for supplying a fast-growing population led to a steady rise in the cost of living, in spite of a system of price controls and subsidies on key commodities. Modest progress was made in attracting pioneer industries to broaden the economic base of the colony.

The Trade Record

Imports increased substantially in value during the year, reaching BWI\$244 million*; exports did not keep pace, but reached a value of BWI\$230 million. Suppliers, in order of importance, were the sterling area, the United Kingdom, Venezuela (chiefly crude oil), and North America. Destinations of exports were the sterling area, the United Kingdom, Brazil and North America.

Principal exports were petroleum products (BWI\$168 million), sugar (BWI\$20 million), and cocoa (BWI\$8 million). Principal imports were crude petroleum (BWI\$71 million), foodstuffs (BWI\$43 million) and iron and steel goods (BWI\$17 million).

Trading with Canada

Import controls continued to restrict Canada's trade with Trinidad severely. Moreover, the appreciation of the Canadian dollar made many commodities listed under the Trade Liberalization Plan considerably more expensive than goods from other sources. The World Open General

* BWI \$=approx. 58 cents Canadian.



—U.K. Information Office

One of Trinidad's important institutions is the Imperial College of Tropical Agriculture, which carries on research in diseases that attack cocoa trees, bananas, and other important tropical crops. Above, an assistant in the banana research section.

Licence system, introduced in October 1951, was drastically curtailed in February 1952, but the Trinidad Government fully honoured its undertaking to buy dried salted fish from any source. The result was substantial purchases from Canada.

During 1952, the colony's main purchases from Canada were:

Flour of wheat	Can.\$4,118,293
Fish of all kinds	1,070,920
Milk of all kinds	946,869
Tobacco, bright flue cured	830,738

The last three items show significant increases over the figures for the twelve months January to December 1951.

The Outlook

Political and economic conditions remain stable and a growing measure of well-being and prosperity is evident throughout the island. As in other colonies, there is a trend towards the lifting of price controls and subsidies which may mean the ending of government bulk purchasing. As long as import restrictions remain, there can be no substantial improvement in Canada's trade with Trinidad. At the moment, purchases are being directed to the sterling area whenever possible. The release of dollars for purchases in Canada is governed by the dollar policy of the sterling area as a whole and any change in this policy comes from London rather than Port-of-Spain.

—ROGER R. PARLOUR

Acting Canadian Government Trade Commissioner

Barbados—*outlook for '53 is uncertain, with sugar crop lower.*

PORT-OF-SPAIN—For the island of Barbados 1952 was not a good year. The rising cost of living and the continuing acute hard currency shortage brought import controls and again handicapped normal trade. Business was dull throughout the year and improved little even at the Christmas season.

The balance-of-trade position became more favourable. For the nine months ended September 30th, value of imports exceeded value of exports by some BWI \$2 million compared with an adverse balance of more than BWI \$6 million for the corresponding period of 1951. The sugar crop was fair at 167 thousand tons, but the fancy molasses trade—one of the colony's principal dollar earners—suffered a severe blow. Sales in 1952 were barely half those for 1951 and 1953 prospects remain uncertain.

One encouraging feature was the increased income from the tourist traffic, which is estimated to have brought nearly US\$1¼ million and Canadian \$300 thousand to the island during the year. Prospects for 1953 are bright, with TCA operating an additional weekly flight until the end of April.

Imports from Canada, valued at Canadian \$3.9 million for 1952, were Canadian \$0.7 million less than last year. Flour, lumber and wood products, meat and fish were the main items.

The outlook for 1953 is uncertain. The sugar crop may be as much as 40 thousand tons less than in 1952 and the increased price which the U.K. Government is paying may barely offset higher production costs.

—ROGER R. PARLOUR

Acting Canadian Government Trade Commissioner

British Guiana—*sugar, rice and bauxite production up.*

PORT-OF-SPAIN—The year 1952 was a prosperous one for British Guiana. Despite the continuing shortage of hard currency and import controls, business was fairly brisk. Both imports and exports increased substantially and for the first eleven months were approximately balanced at BWI \$75 million.

The sugar crop of 243 thousand tons was a record and production of bauxite and rice greatly exceeded 1951 levels. The result was a substantial increase in revenue and currency circulation. On the other hand, withdrawal of the *Lady* boat service, the mounting cost of government administration, and the very high rate of companies' tax (45 per cent) caused concern in business circles. Living costs rose steadily throughout the year.

Canada's purchases of bauxite ore accounted for nearly half of British Guiana's total exports during 1952 and total purchases by Canada last year were about Canadian \$24 million. Canada's exports to British Guiana in 1952 were only BWI \$11.4 million (Canadian \$6 million) com-

pared with BWI \$30.6 million from the United Kingdom, BWI \$13.4 million from other Commonwealth countries, and BWI \$12 million from the United States. The principal exports from Canada to this market were flour and machinery. Other commodities included paper, canned and salted fish, split peas, pickled pork, and cotton piece goods.

Prospects for 1953 appear good. The higher price being paid for sugar by the British Ministry of Food will benefit the colony's economy. Work will begin on the Balvasirie Extension project which will bring a further 23 thousand acres under rice cultivation within the next five years. The Colonial Development Corporation is making a grant of BWI \$5½ million to assist in financing this project. A mission from the International Bank for Reconstruction and Development will also visit the colony to study development possibilities.

—ROGER R. PARLOUR

Acting Canadian Government Trade Commissioner

Windward and Leeward Islands

PORT-OF-SPAIN—Generally speaking, 1952 was not a good year for the Windward and Leeward Islands. Their economy is almost entirely agricultural and efforts to attract industry have met with little success. Because productivity is low, the islands are hard put to feed their growing populations, hold down the cost of living, and maintain their exports. Many essential foods must be imported. Adverse trade balances and reliance on Colonial Development and Welfare grants have been the rule. As in most of the West Indies colonies, the market for Canadian goods has contracted to the bare essentials and, except for shipments under the BWI Trade Liberalization Plan, there is no prospect for increased sales until the U.K. Government allocates more dollars to each colony.

Antigua had a record sugar crop of 35 thousand tons, labour relations were good, and the tourist trade expanded. Dominica's exports rose by 50 per cent over the 1951 figure, mainly because of increased production of bananas and limes.

In St. Vincent, the principal crops—arrowroot and cotton—provide only seasonal employment for the fast-growing labour force. However, a second sugar factory will probably be built and new orchard crops are to be grown in the colony.

St. Lucia will need a record grant-in-aid of BWI \$750 thousand to balance its budget this year. Some people feel that the livestock and banana industries, and the cane and cocoa farmers, should receive greater encouragement. Grenada is taking steps to cultivate the land more intensively and encourage the tourist trade. A loan of BWI \$1½ million was raised on the London market to finance development projects.

Canada's exports to the Islands for 1952 were valued at Canadian \$4.3 million, slightly more than in 1951. Flour, fish, lumber and wood products, salted meats and cotton goods were the main commodities. Canada's purchases from the Islands in 1952 totalled Canadian \$220 thousand, compared with Canadian \$900 thousand for 1951.

—ROGER R. PARLOUR

Acting Canadian Government Trade Commissioner

Jamaica

- *Good sugar cane crop improves business conditions.*
- *Tourist trade expected to surpass previous years.*
- *Three major companies are now producing bauxite.*

KINGSTON—Reaping the sugar cane, Jamaica's largest industry, is now under way and the optimistic forecast of 303,200 tons, about 35 thousand tons more than in 1952, has provided greater employment and brought a general improvement in business, especially in food and cheap textiles.

This favourable situation is enhanced by the tourist trade, now at its peak, with hotels completely booked. The estimated total of £4½ million spent in the Island by some 104,786 tourists during 1952 (12 per cent more than in 1951) may be surpassed this year. The inauguration of a direct passenger steamship service between Miami and Kingston, serviced by the S.S. *North Star* accommodating 300 passengers, should help materially to make this a record tourist season. Moreover, a proposal to establish a duty-free area in Kingston where transit passengers and tourists may make purchases free of tariff charges is being considered.

The Cayman Islands are rapidly completing an airstrip and three new small hotels in the hope of obtaining a greater share of the tourist trade.

The Financial Picture

Strict credit controls are still imposed by the authorities on importers, wholesalers and retailers. Local collections are slow but foreign bills are being paid promptly.

The Finance Board maintains a month-to-month statement of Jamaica's dollar account from transactions reported by the banks. For 1952 the net deficit was \$4,942,126, compared with \$8,940,572 in 1951. The 1952 figure shows a deficit of Can.\$6,905,269 and a surplus of U.S.\$1,963,143 giving the above net figure. The Canadian figure, however, does not take into consideration sales of sugar to Canada via the Ministry of Food, for which Jamaica receives payment in sterling. These sales amounted to £2,323,398—only about half a million dollars short of wiping off the deficit.

Some 6,000 tons of free market sugar were shipped to Canada in February. This was the first direct dollar shipment following the opening of the market last November.

The surplus with the United States is derived from such items as returns from Jamaican farm workers, dollar salaries from the bauxite industry, tourists (including many Canadians carrying U.S. exchange), and from weekly visits by U.S. warships from the Guantanamo base in Cuba and from Norfolk, Virginia.

Trade with Canada

Because of the sterling difficulties, Canadian exports to Jamaica have been limited to those commodities coming under the BWI Trade Liberalization Plan, and those considered highly essential and which are not

available from a soft currency source. Canadian exports under the BWI Trade Liberalization Plan amounted to less than 20 per cent of the total Canadian exports of \$10,590,661 during 1952 (\$10,214,424 in 1951). The principal items were wheat flour, \$2,470,598; tobacco, \$718,102; dried salted cod, \$1,642,622; pickled mackerel, \$415,766; sardines, \$290,183; feeding stuffs, \$135,433; newsprint, \$221,640; and medicinal preparations, \$105,594.

Canadian imports from Jamaica amounted to \$18 million in 1951 and to \$9.2 million in 1952. Smaller sugar imports, at lower prices, accounted for much of this decline.

The Agricultural Picture

Sugar—Sugar exports during 1953 may reach 233 thousand tons, of which 43 thousand tons will be sold outside the terms of the Commonwealth Sugar Agreement. The Sugar Agreement price is £42 6s. 8d. per ton.

Bananas—The production of eight million stems achieved before the 1951 hurricane will be reached again this year. Effective March 1, 1952, bulk purchasing ended and twelve-year pacts were entered into with two shipping companies for the transport and marketing of Jamaican bananas in Britain on a commission basis.

Citrus Fruits—Good weather and rains are responsible for the early and abundant citrus crop which will be almost 50 per cent greater than the previous one. Approximately 520 thousand boxes of oranges and 250 thousand boxes of grapefruit have been either processed or shipped and there is an additional 10 per cent for local consumption.

Coconuts—Because of the 1951 hurricane, the Island now must import coconuts. Not until 1960 will it be able to reach its former production of 10,000 tons of copra a year.

Tomatoes—The Government is making an effort to revive the tomato industry. The processing organization has been authorized to enter into firm contracts for five million pounds of tomatoes. The Government is assisting in the eradication of disease.

Milk—Fresh milk intake at the condensary during 1952 was 12 million quarts, an increase of 16 per cent over 1951. At present there is a slight surplus production of sweetened condensed milk. The plant expects to be producing evaporated milk by April.

Livestock—During 1952, Indian-type cattle exports were valued at £50 thousand. The principal markets were Venezuela, the Dominican Republic and Panama.

Industrial Development

As a result of the Pioneer Industries (Encouragement) Law of 1949, some 30 industries have been declared Pioneer Industries. Of these, 15 are in operation and two have set their production dates for the near future. The industries include wirebound boxes and wooden spoons; cocoa processing; carbon dioxide gas; hand-blocked fabrics; wet-cell batteries; assembly of radio sets, fluorescent lamps and electrical transformers; metal containers; pre- and post-stressed concrete products; ice cream cones,

jelly crystals, dessert and pudding powders and mixes; pineapple canning (scheduled for May 1953); bycrete (building material); cellulosic building boards (scheduled for August 1953).

The outstanding recent development is the production of bauxite by three major companies, including plant construction, transportation facilities and loading piers. The bauxite deposits, in terms of aluminum ingots, are estimated at 320 million tons.

—M. B. PALMER
Canadian Government Trade Commissioner

British Honduras

KINGSTON—British Honduras, with a population of approximately 70 thousand, has traditionally lived largely on its trade in forest products and its chief exports still are mahogany, cedar and pine lumber. The bulk of its exports go to the United States, and the remainder largely to the United Kingdom. The pine lumber is chiefly exported to the West Indian Islands, principally Jamaica.

As a result of this dependence on forest resources, agriculture has received comparatively little attention and the colony therefore relies upon imported foodstuffs. One of the obstacles to be overcome is the lack of sufficient and skilled agricultural labour and the Department of Agriculture is concentrating on an intensive education program. To build up a more balanced economy, an extensive road-building project is being undertaken to open up new areas for agricultural development, with special emphasis on citrus fruits, bananas and stock-raising.

General prosperity prevails and during the past year the Colony acquired a large measure of financial independence and ceased to need grants in aid. Money circulated freely over Christmas and trade was good. Over-stocking, however, continued to cause anxiety but collections were being met fairly satisfactorily.

According to British Honduras statistics, Canada was in third position as a supplying country in 1951. The United Kingdom is the principal source of supply but, because of its closeness and competitiveness, United States runs a close second. Total imports into the Colony were over \$12 million in 1951 (\$8.7 million in 1950). British Honduras dollar imports are severely restricted and the colony participates in the Trade Liberalization Plan.

The chief products which Canada normally obtains from this colony include chicle, mahogany and canned grapefruit juice. Canada's imports from British Honduras for 1952 totalled \$26,472. (Total for 1951, \$458,141.) The falling-off in trade during 1952 was due to smaller purchases of mahogany and no chicle buying.

Canada's exports to British Honduras totalled \$282,940 in 1952 (\$572,166 in 1951). The principal items were flour of wheat (\$121,112); pickled pork (\$27,809); cotton textiles (\$46,449).

—M. B. PALMER
Canadian Government Trade Commissioner

Bahamas—*the tourist trade is all-important.*

KINGSTON—The economy of the Bahamas is based on its tourist trade, and thus the Island buys perhaps more dollar goods than other BWI colonies to meet the demands of its many visitors. The United States obtains the lion's share of this extra dollar business because supplies are easily obtained from the nearby port of Miami, which has frequent sailings at low rates.

The Bahamas Government Development has made the colony a year-round vacation land. Tourist figures compiled by the Immigration Department in Nassau give a total of 84,718 visitors for 1952, compared with 68,502 in 1951.

Foreign Trade

The Island's population of about 80 thousand depends for its needs almost entirely on imports. The general trade policy is the same as that of Jamaica—dollar imports are permitted only if they cannot be obtained from a sterling or soft currency source. The one exception (as in Jamaica) is products coming in under the BWI Trade Liberalization Plan. The latest trade statistics are for 1951 and show imports valued at £7,650,419, compared with £6,150,200 in 1950.

Canada's exports to the Bahamas last year totalled \$2,352,792, compared with \$2,136,087 in 1951. The leading commodities were flour of wheat, \$563,982; condensed and evaporated milk, \$368,621; table potatoes (except seed), \$87,316; whisky, \$87,776; fresh pork, \$33,254; canned ham, \$20,734; and cooked meats, \$114,139.

Canadian imports from the Bahamas during the first eleven months of 1952 totalled \$371,908, compared with \$262,074 in 1951. They included tomatoes, \$148,940, and salt for fisheries, \$140,657. Tomato shipments from the Bahamas have been far below those of previous years because the early crop was seriously damaged by a tropical storm in late October.

Other countries exporting to the Colony include Australia, which sends canned and frozen meats, condensed milk and butter, and the United States, which supplies principally electrical apparatus, medicines, and drugs, cotton piece goods, wearing apparel, corn products, and fresh and preserved fruit and vegetables.

Business Conditions

Sales of all lines during December 1952, stimulated by the Christmas trade, were brisk and the merchants reported satisfactory gains over the same period in 1951. In anticipation of the winter season's heavy trade, inventories have been built up and stocks of merchandise are ample. Shops specializing in woollen goods are overstocked but merchants hope that sales during the next few months will correct this situation.

The building trades are busy with demands for new construction, alterations and renovations, and this, plus the staff needs of hotels for the winter tourist season, completely absorbs all surplus labour.

—M. B. PALMER

Canadian Government Trade Commissioner

Canada's Trade Treaty Relations with Commonwealth Countries

CANADA EXCHANGES preferential tariff treatment with many Commonwealth countries and colonies. During the 1930's these preferences were of considerable assistance to Canadian exports. In the post-war period, import controls against dollar goods have been introduced throughout the Commonwealth and these have greatly reduced the benefits of the tariff preferences. Even under present conditions, preferences continue to assist some of our exports—for example, where licences are still being issued and where Canadian goods have to compete with those of other hard currency suppliers.

All British dominions and nearly all colonies are parties to the General Agreement on Tariffs and Trade. British preferential tariffs have been considerably modified in the multilateral negotiations which have taken place under GATT.

The following paragraphs summarize the treaty relations between Canada and the principal Commonwealth countries and colonies. Further information may be obtained from the International Trade Relations Branch.

● *United Kingdom*

Canada has exchanged tariff preferences with the United Kingdom for many years. The trade agreement at present in force was signed in 1937, and it extends to the colonies. Canada has a separate trade agreement with the British West Indies, Bermuda, British Guiana and British Honduras. The United Kingdom-Canada agreement was subsequently modified by exchanges of letters between Canada and the United Kingdom in 1938 and in 1947. These provided that, under specified circumstances, the benefits of the preferences could be reduced by either country. Canada lost or received smaller preferences on some items, but a substantial number of them remain subject to the British preferential tariff.

● *Australia*

The agreement was brought into force in 1931. On most items Canada was granted the British preferential rates but without guarantee of the maintenance of the margins of preference or the levels of the preferential rates. Some items were left under the general tariff. Certain modifications are provided for in two schedules annexed to the treaty. In 1934, Canadian goods which had been entitled to the intermediate tariff were made dutiable at special rates lower than intermediate.

- *New Zealand*

The trade agreement was brought into force in 1932. Canada extended rates lower than British preferential on articles of special interest to New Zealand and otherwise extended the British preferential tariff. New Zealand granted the British preferential tariff to Canada, except for a few products. On a very few specified products, where the general and British preferential rates were the same, New Zealand created a differential between them to grant Canada a preference.

- *South Africa*

A trade agreement concluded between Canada and South Africa in 1932 provided for the extension of reciprocal preferential tariffs which had been in effect since 1903. In 1935 unconditional most-favoured-nation treatment was exchanged.

- *British West Indies*

Extensive tariff preferences are exchanged by virtue of a trade agreement between Canada and the British West Indies, Bermuda, British Guiana and British Honduras, which came into effect in 1927. The list of goods on which Canada was offered preferences was extended in 1932 under the terms of the United Kingdom-Canada Trade Agreement. Further modifications to the agreement were made in 1937, 1938 and 1947.

- *India*

There is no trade agreement between Canada and India other than the General Agreement on Tariffs and Trade, whereby each country accords to the other most-favoured-nation treatment. Canada has accorded to India British preferential tariff treatment since its introduction in July 1898.

- *Pakistan*

Canada grants Pakistan the benefits of her British preferential tariff, which had been extended previously to India before the partition of India and Pakistan in August 1947. Pakistan grants most-favoured-nation treatment to Canada.

- *Ceylon*

Canada has accorded British preferential tariff treatment to Ceylon since 1898. In January 1933 Ceylon introduced a preferential tariff which applied to imports from Canada.

—R. B. NICKSON

International Trade Relations Branch

For more information on: write:

THE COMMONWEALTH

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HONG KONG

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Foreign Exchange Rates

The following nominal quotations may prove useful in checking prices. Canadian traders should consult their banks before making any firm commitments.

Conversions into Canadian dollars have been made at cross rates with sterling or the United States dollar on the date shown.

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

When several rates are indicated, the rate applicable depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

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

For conversion to United States dollar equivalents multiply by 1.01555.

Country	Unit	Type of Exchange	Canadian dollar equiv. March 19	Notes (See below)
Argentina	Peso	Preferential buying	·1312	
		Basic buying	·1969	(1)
		Preferential selling	·1969	
		Basic selling	·1312	
		Free	·0709	
Austria	Schilling		·04609	
Australia	Pound		2·2180	
Belgium-Luxembourg & Belgian Dependencies	Franc		·01968	
		Official	·01641	tax 5% (1)
Bolivia	Boliviano	Differential	·00980	tax 3% (2)
			·5776	(3)
British West Indies	Dollar		2·7725	(4)
		Brit. Honduras	·6931	
		Official	·05322	tax 8% (2)
Brazil	Cruzeiro	Free	·02252	
			·2079	
Burma	Kyat		·2079	
Ceylon	Rupee		·03171	(1)
Chile	Peso	Official	·01640	
		Commercial	·00895	
		Free	·3939	tax 3% (2)
		Basic	·4262	
Colombia	Colon	Coffee buying	·1758	
		Official	·1471	*Feb. 16
		Free	·9847	tax 2%
Cuba	Peso		·01969	
Czechoslovakia	Koruna		·1426	
Denmark	Krone			
Dominican Republic	Peso		·9847	
		Official	·06565	(4)
Ecuador	Sucre	Free	·05698	
			2·8276	
Egypt	Pound		2·4977	
Fiji	Pound		·00428	
Finland	Markka		·00282	
France	Franc		·00563	
French Africa	Franc		·01549	
French Pacific	Franc		·2344	
Germany	D Mark		·000066	
Greece	Drachma		·9847	
Guatemala	Quetzal		·1969	
Haiti	Gourde		·4923	
Honduras	Lempira		·1635	*March 6
Hong Kong	Dollar	Free	·06046	
		Official	·04649	
		Special buying	·03777	
Iceland	Krona	Special selling	·2079	
		Basic	·08638	(7)
India	Rupee		·00204	*Feb. 16
Indonesia	Rupiah	Dollar certificate		

* Latest available quotation date.