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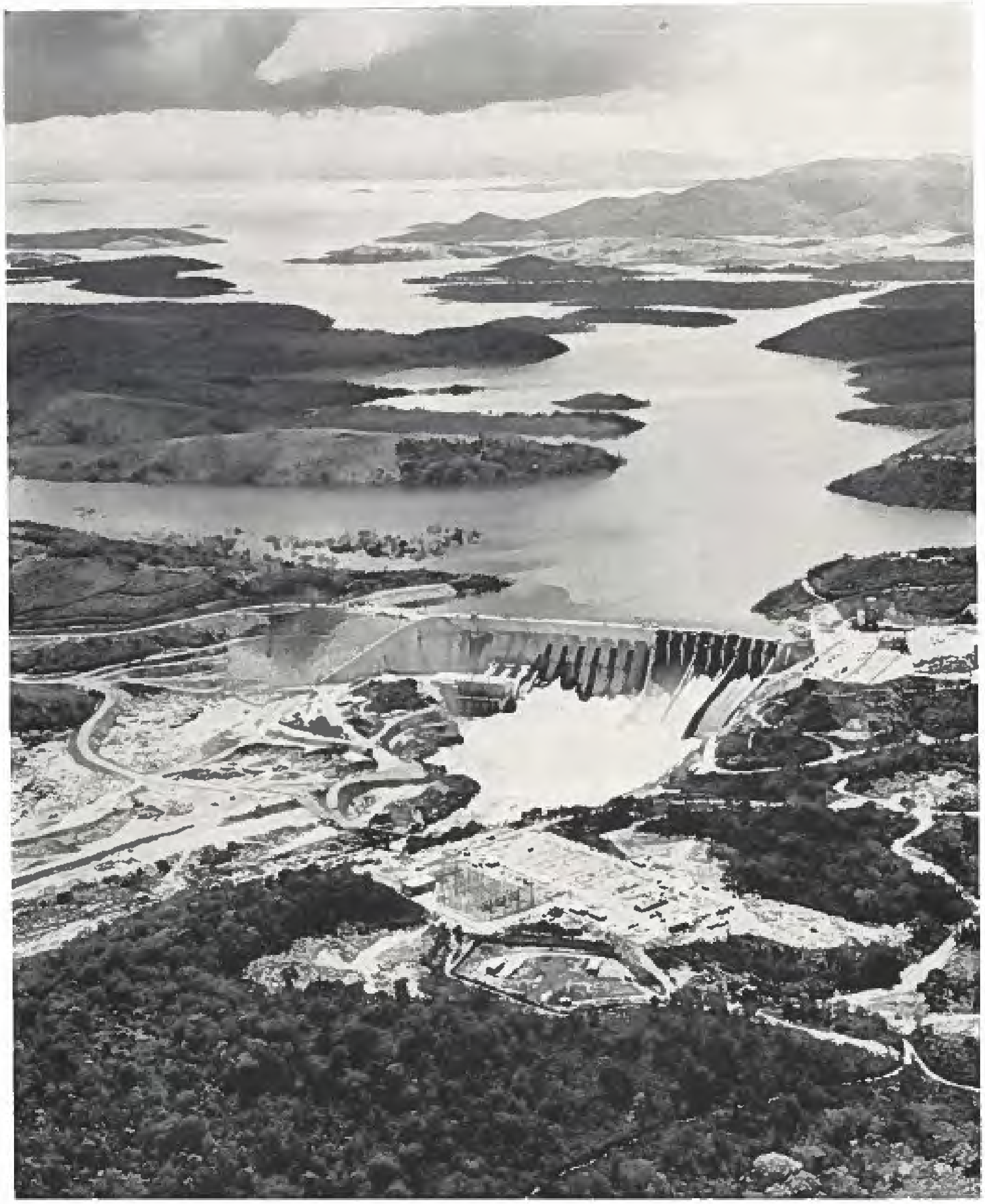
FOREIGN TRADE

DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE, OTTAWA



South America—The Time Is Now

South America today is a continent in the throes of developing latent natural resources to raise production and living standards. One of the big projects is the Guri hydroelectric and irrigation scheme in Venezuela; the dam, with Guri Lake in the background, pictured on our cover, symbolizes the forward thrust on that continent.

W. G. Brett, who wrote the leading article in this issue, became Director, Latin American Division of the Office of Area Relations last June. Earlier in his career with the Trade Commissioner Service he was posted to Caracas, Venezuela, for three years, so his knowledge of the area has a foundation in personal experience.

His sense of urgency in developing our trade relations with Latin America is reflected in the title of his article, "The Time Is Now." That urgency he discerned as a member last fall of the Ministerial Mission that visited Latin America and of which the Hon. Jean-Luc Pepin, Minister of Industry, Trade and Commerce, was a member. Mr. Brett tells something about how the Mission operated, the problems of integration that it perceived, and some of the conclusions it reached about the nature of Canadian opportunities.

An issue like this one, reviewing current conditions in ten South American countries and defining Canadian export potential in each, draws on the knowledge and expertise of a number of people. The seven offices of the Trade Commissioner Service in South America provided reports on countries in their territory. These articles were checked by the Latin American Division, which also provided a survey of import and exchange regulations in each country. Photographs came in from the offices and also from the Washington headquarters of the World Bank and the Inter-American Development Bank. Put all together and we have a special issue.

"What about the new Department of Industry, Trade and Commerce?" —that's the question that businessmen are asking. "How is it set up?" Now that the Bill integrating the two Departments is before Parliament and expected to be passed shortly, we are preparing a Directory. Watch for it in a forthcoming issue of *Foreign Trade*.

FOREIGN TRADE

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90524—1

The Time Is Now

That's the word brought back by the recent Ministerial Mission to Latin America. If you want to trade with an area poised for rapid change and development, begin now.

WILLIAM BRETT
Director, Latin American Division
Office of Area Relations

■ Since World War II there have been all sorts of missions with all sorts of aims. One familiar type is the trade mission, a proven implement in the development of international trade. The Ministerial Mission to Latin America was something more; it was perhaps unique. The purpose was no less than to define our relations in all fields with Latin America and to discover means of developing these and uncovering other avenues to the increased advantage of all. This is probably one reason for the fact that in Ottawa when people talk about "the mission" today, it is understood that they are referring to the Ministerial Mission to Latin America.

The mission lasted a full month. During that time, nine countries—Venezuela, Colombia, Peru, Chile, Argentina, Brazil, Mexico, Guatemala and Costa Rica—were visited. In all, five Ministers were involved, with no less than three attending in each country. The Ministers were backed up by heads of agencies and a group of officials with competence in a wide variety of fields, including the cultural and political as well as the economic. Representatives of the Canadian press and other news media accompanied the mission throughout. In several Latin American capitals, Ministers pointed out that the mission to Latin America was, from the point of view of Ministers involved and sustained itinerary, the most substantial one ever to leave Canada.

The mission moved fast, staying an average of three days in the countries visited and travelling at night and on weekends. It was a difficult pace to maintain but one that imposed its own discipline and very early compelled an efficient set of work procedures. The mission never did reach an easy stride but it developed a very durable jog.

The typical sequence was a briefing session on the plane between stops, with special attention to outstanding or potential problems. Upon arrival, there was a briefing at the Canadian Embassy, followed usually by official calls by Ministers on Heads of State and their counterparts. The mission then split into functional discussion groups, the trade people with the trade officials of the country visited, the film people with the film people, and so on. In the trade sector, mission members also visited businessmen, the agents of Canadian firms in the area, and when possible, officials of the regional groupings. The talks were solid, tangible and useful.

At this point in history, the most discernible aspect of our relations with Latin America is our trade links. They are long-standing, they have developed naturally in response to geography and economic complementarity, and they have grown steadily. Yet, when compared with our trade interests elsewhere, our trade with Latin America is patently underdeveloped. Our exports to the area are in the range of $395 million and our imports about $520 million, adding up to only 3 per cent of our total trade. The main concern of the trade men on the mission was to uncover means of increasing this trade. We have come up with some suggestions. Not only do we have today's shopping list from each country visited, but the fact that we covered the whole area has suggested certain changes of approach which we believe will be of interest to the business community.

The individual countries of Latin America are examined from the point of view of trade possibilities elsewhere in this issue of *Foreign Trade*. The intention here is to talk about net impressions and the implications of the main economic tendencies of the region.

The overwhelming impression that one gets is of things on the move. Economic development is the foremost concern of all countries in Latin America. National planning and, to an extent, regional integration are a means to this end. Regional integration and the reach for economic development are the two basic determinants of the future character of Canadian trade with Latin America.

Regional Integration

There are two main movements toward trade and economic integration in Latin America. There is LAFTA (Latin American Free Trade Area), composed of the Republics of South America and Mexico, and CACOM, the Common Market formed by most of the Republics of Central America. LAFTA contains a progressive sub-group in the countries of the Andino group, Venezuela, Colombia, Peru, Ecuador, Bolivia and Chile, who are finding it possible to accelerate integration and hope soon to stand on an equal economic footing with the more developed countries of the group, such as Argentina, Brazil and Mexico. The countries contributing to the basin of the River Plate are also co-operating at the government level in the development of infrastructure requirements in the fields of transport, power and communications.

Because of several deeply imbedded factors, the way to integration in

—World Bank Photo

This picture of work going ahead on a diversion tunnel for a new hydroelectric project in Brazil typifies the forward thrust on the South American continent.

Latin America is not easy. The economies of several countries have a high degree of dependence upon a relatively slender product base—oil or coffee, for example. The unevenness of economic development is another concern as are the lack of intercommunication facilities and the preoccupation of some countries with the development of their own internal market.

LAFTA and CACOM

The Treaty of Montevideo which established LAFTA and prescribed the pace of its development is an impatient treaty, calling for tariff cuts which several countries do not feel they can proceed with at the suggested rhythm. It is now widely conceded that the terms of the treaty will have to be changed and made more accommodating. But even among the countries insistent on changing the terms of the treaty, there is no withdrawal from the ideal of regional integration. On the contrary, there is a more deliberate determination to proceed at a more sensible pace but with the ultimate goal unchanged.

Within LAFTA, integration is proceeding through two main channels: the extension of trade preferences and the use of "complementarity agreements". Basically, these last are industrial rationalization measures through which one country will specialize in a given product or component within the span of a certain industry, such as the chemical or the automotive industry.

CACOM is a more compact grouping, unencumbered by some of the structural rigidities of LAFTA. The resolution of the constituent nations supports a particularly strong set of regional institutions for the steady implementation of the required measures of integration.

There is no doubt that the development of economic groupings in Latin America will in some instances disturb the traditional flow of Canadian goods to those markets. Chilean forest products, for example, have developed considerable thrust. Pressures have also developed in intermediate industrial products and we can expect some disturbance in finished goods as Latin American industry develops and more complementarity agreements come into effect. On the positive side, the successful integration of Latin America would create new opportunities and lead to substantially increased demand for those products in which we retain our competitive advantage. Regional integration is therefore one determinant of the future cast of Canadian trade with Latin America. We have already mentioned the drive for economic development as the other. The two are of course interrelated.

Catering to Development

Latin America is a vast, unevenly developed area with insistent needs for basic infrastructural development. These needs are similar to those that Canada faced in carrying on its own development. In many respects, Canadians have had a uniquely relevant experience. Generally speaking, these opportunities are within the general engineering field requiring high-level specialized skills. Among those which came to the attention of the mission are the following special ones mentioned in the report tabled in the House of Commons:

Telecommunications, consulting engineering services, airport construction, equipment for mining, forestry and fisheries, hydroelectric equipment, grain storage facilities, port handling equipment, forest fire fighting equipment, pulp and paper machinery, aerial surveys, specialized aircraft, nuclear reactors, subway equipment, road and railway equipment, educational equipment.

Full Canadian involvement at these sophisticated levels of endeavor would certainly mean higher returns to Canada as a whole. They would also provide an opportunity to sustain and develop these advanced areas, the "secteurs de point" of a modern industrial economy. In another sphere, Latin American economic development and regional integration provide interesting opportunities for Canadian investment. Several government officials and regional authorities suggested that Canadian capital could well help Latin American development, not least in the various areas that may be threatened by integration trends.

Latin America today thus presents a new and challenging aspect to Canadian business. The fact of change is obvious and it is up to Canadians to pursue these developments to the higher planes of opportunity that they entail.

To participate fully, Canadians must be flexible and imaginative. One area requiring a conscious effort is financing. It was quite clear to the mission that credit terms have assumed an importance approaching that of price and quality. Canadians should also be aware of an important corollary to increased trade with Latin America: a corresponding growth in our intake of their products. In this context we should be particularly receptive to the new Latin American exports as well as to traditional staples.

It is a mistake to think of Latin America as a vast homogeneous single area. The divergencies are very great but there is enough similarity to give the area a marked personality

Canada's Trade with . . .

ARGENTINA	1967	6 mos. 1968
	(Cdn.$'000)	
What We Sell		
Newsprint paper	6,407	4,399
Motor vehicle parts and accessories	6,198	4,097
Sheet and strip steel	5,103	2,951
Aluminum pigs, ingots, slabs	5,062	2,694
Wood pulp	2,321	1,151
Construction maintenance machinery	1,743	652
Total, including all exports	**33,380**	**19,377**
What We Buy		
Corned beef, canned	2,693	826
Quebracho extract	372	93
Wool, scoured or washed	217	62
Cheese	212	39
Card punching machinery	198	190
Honey	194	31
Total, including all imports	**5,188**	**2,698**

ECUADOR	1967	Jan.-Nov. 1968
	(Cdn.$'000)	
What We Sell		
Wheat	1,004	812
Newsprint	419	519
Commercial communications equipment	117	396
Asbestos	107	157
Sanitary paper	91	123
Prefabricated buildings	......	129
Writing and reproduction paper	141	100
Aluminum fabricated material	79	67
Rock drilling machinery	29	68
Total, including all exports	**4,092**	**3,303**
What We Buy		
Bananas	7,914	7,557
Cocoa beans	151	328
Coffee green	45	61
Shrimps, prawns	41	38
Total, including all imports	**8,128**	**8,098**

BOLIVIA	1967	6 mo[illegible] 196[illegible]
	(Cdn.$'000)	
What We Sell		
Newsprint paper	635	2[illegible]
Aluminum fabricated materials	268	[illegible]
Mining-quarrying machinery and parts	95	[illegible]
Rock drilling & related machinery and parts	92	
Switchgear and protective equipment	80	[illegible]
Copper wire and cable	61	11[illegible]
Pumps, pumping systems and parts	2	1[illegible]
Total, including all exports	**2,233**	**1,2[illegible]**

PARAGUAY	1967	6 mo[illegible] 196[illegible]
	(Cdn.$'000)	
What We Sell		
Newsprint paper	59,135	52,51[illegible]
Toilet paper, packaged	10,601	4,6[illegible]
Razors and razor blades	10,166	7,1[illegible]
Tires, car, truck and bus	6,520	......
Chain saws	4,876	......
Laminated plastic materials	3,838	......
Contractors' equipment and tools	......	74,5[illegible]
Total, including all exports	**114,358**	**165,3[illegible]**
What We Buy		
Corned beef, canned	575,111	19,7[illegible]
Chinawood oil or tung oil	32,697	43,3[illegible]
Extracts of meat, not canned	26,520	16,4[illegible]
Cotton linters and carded sliver	20,235	......
Soups, soup mixes and bases	10,137	12,8[illegible]
Total, including all imports	**667,602**	**94,1[illegible]**

and it possesses certain broadly applicable market characteristics. When we talk of an area as large as Latin America, we must talk in global terms and in global terms Latin America appears in a separate category. These countries are not the highly absorbent markets that Canadians find in Europe, North America, Japan or elsewhere, nor do they have the non-commercial features of several markets in Asia and Africa. It is a unique area coming into sharper relief, with a very considerable commercial potential. A point that cannot be over-emphasized is that the time is now. The mission was timely. We had an opportunity to witness events in the process of formation and there is still time for Canadians to involve themselves in the full flood of developments. Other eyes are also turned to Latin America and no doubt other hands will be busy there. But not all of these can start with the present expertise of Canadians in the most promising sectors and few indeed enjoy the large measure of goodwill that our neighbors to the south so readily extend to us.

RAZIL	1967	6 mos. 1968
	(Cdn.$'000)	
hat We Sell		
uminum pigs, ingots, slabs	4,727	3,378
bestos milled fibers	3,458	1,810
eet and strip steel	2,767	1,048
rd punch computers and parts	1,995	1,357
otor vehicle parts and accessories	1,983	534
pper, refinery shapes	1,492	143
tal, including all exports	**27,540**	**16,057**
at We Buy		
ffee, green	20,509	11,569
al and agave fibers	1,103	151
ange juice concentrates, rozen	1,062	807
n ore	1,062	1,508
tant coffee	762	869
nganese in ores and oncentrates	634	424
al, including all imports	**31,436**	**17,898**

RU	1967	6 mos. 1968
	(Cdn.$'000)	
at We Sell		
cks and chassis	8,027	1,530
omobiles and chassis	4,958	2,228
vsprint paper	2,461	1,208
et and strip steel	2,289	1,260
od pulp	1,356	313
t	1,000	751
al, including all exports	**32,568**	**11,429**
at We Buy		
ee, green	957	879
a, canned	393	....
s, dried	285	....
al ores, concentrates and rap	168	52
meal	94	65
a, fresh or frozen	76	....
cury	1	36
l, including all imports	**2,276**	**1,283**

CHILE	1967	6 mos. 1968
	(Cdn.$'000)	
What We Sell		
Trucks and chassis	5,214	2,490
Aluminum pigs, ingots, slabs	1,689	717
Asbestos milled fibers	1,235	278
Automobiles and chassis	1,138	2,823
Aircraft	935	....
Plastic and synthetic rubber	642	161
Total, including all exports	**17,747**	**10,816**
What We Buy		
Sodium nitrate	953	215
Grapes, fresh	336	820
Onions, fresh	221	281
Melons, fresh	100	94
Dried vegetables	27	3
Plums, fresh	22	56
Total, including all imports	**1,746**	**1,580**

URUGUAY	1967	6 mos. 1968
	(Cdn.$'000)	
What We Sell		
Aluminum pigs, ingots, slabs	703	165
Newsprint paper	692	143
Seed potatoes	629	213
Sheet and strip steel	147	54
Automobiles and chassis	109	18
Plastic and synthetic rubber	102	40
Total, including all exports	**2,952**	**797**
What We Buy		
Corned beef, canned	127	....
Wool, scoured or washed	99	97
Wool yarn	63	35
Slippers and house footwear	37	....
Wool noils	20	1
Worsted fabric, all wool	14	19
Total, including all imports	**401**	**190**

COLOMBIA	1967	6 mos. 1968
	(Cdn.$'000)	
What We Sell		
Newsprint paper	5,015	1,737
Asbestos milled fibers	2,318	1
Plastic and synthetic rubber	2,247	1,181
Aircraft engines and parts	1,316	299
Sheet and strip steel	1,262	895
Copper bars, rods and shapes	740	94
Barley	....	624
Total, including all exports	**18,199**	**8,047**
What We Buy		
Coffee, green	9,925	4,057
Exotic lumber	1,029	456
Cotton yarn	771	367
Corduroys, cotton, unbleached	542	328
Raw cotton	420	206
Raw sugar	300	....
Footwear	....	526
Total, including all imports	**13,384**	**6,098**

VENEZUELA	1967	6 mos. 1968
	(Cdn.$'000)	
What We Sell		
Automobiles and chassis	26,336	24,365
Wheat	9,408	3,791
Trucks and chassis	7,683	6,867
Newsprint paper	4,912	2,756
Sheet and strip steel	3,852	2,155
Plastic and synthetic rubber	2,256	1,220
Total, including all exports	**82,049**	**54,375**
What We Buy		
Crude petroleum	232,476	138,032
Fuel oil	32,790	17,378
Kerosene, including gas oil	4,190	1,583
Diesel and tractor fuel	3,462	5,580
Naphtha	1,049	....
Aviation turbine fuel	904	1,462
Total, including all imports	**276,327**	**164,402**

90524—2

Brazil is buying more Canadian goods, but competition is stiff, tariffs high, and financing important. Raw materials, capital equipment best opportunities.

J. E. LANCASTER
Commercial Counsellor
Rio de Janeiro

■ Last year was a banner one for the Brazilian economy. The GNP measured in real terms increased by over 6 per cent compared with 5 per cent in 1967. Inflation was held to a 24 per cent rise as against 24.5 the previous year and 41.1 in 1966. The results in agriculture, in which most Brazilians are employed, were good but the key coffee crop was down 25 per cent because of drought.

In secondary industry, production increased by 12 per cent over-all with record output in leading industries, including the production of 280,000 automotive vehicles, over 4 million metric ingot tons of steel, and 7 million metric tons of cement. The construction industry also had a record year, with 180,000 dwellings completed and good results in commercial construction and roadbuilding. Some 631,000 deadweight tons of shipping are being built and all Brazilian shipyards are operating at capacity. These and other factors have resulted in a remarkable increase in employment, although the under-use of manpower in agriculture has served to elevate the rate of unemployment to 5 per cent. Private investment reached a new high of some new cruzeiros 12 billion. A large percentage of investment funds now comes from indigenous sources, including the National Housing and the Development Banks.

—IADB Photo

Improvements in full swing at the port of Paranagua on the coast of Brazil with the help of an IADB loan are designed to make it more efficient. Second only to Santos as a coffee-shipping port, it also handles goods coming from Paraguay.

Foreign trade also achieved a record last year, with Brazilian commodity exports topping U.S.$1,860 million in value. Of this amount, U.S.$160 million consisted of manufactured goods. Brazil's balance-of-payments position is favorable because of the surplus in commodity trade and the inflow of funds for direct investment loans and capital assistance. Gold and foreign exchange holdings at the year-end totalled U.S.$680 million. A continuing inflow of funds is expected in 1969 for direct investment loans and aid from the IADB, World Bank (a U.S.$75.9 million loan already signed for), and other official and private foreign financing institutions. In 1968 this inflow totalled U.S.$70 million for direct investment and U.S.$700 million from the organizations mentioned.

In the under-developed areas of the Amazon Valley and Brazil's Northeast, there was major investment directed to industrial ventures and agricultural improvement; as a result, the estimated economic growth of these regions is now above the national average. On the other hand, economic expansion in the Manaus Free Trade Zone will probably slow down because of a recent government decree which restricts certain benefits of the Zone to people living there.

Some Problems Persist

This economic advance has not been accomplished without cost. Brazil continues to be faced with an inflationary situation more severe than those of its large Latin American neighbors. This is primarily the result of inefficiencies in both agriculture and secondary industry, as well as the inadequately developed economic infrastructure and continuing government deficits. These circumstances were instrumental during the twelve months from December 1967 to December 1968 in compelling five individual devaluations of the Brazilian cruzeiro, reducing it in terms of the U.S. dollar from a rate of 2.715 to 3.805. A flexible rate policy was introduced some months ago which permits frequent but limited adjustments in the exchange rate as reflected in the internal level of prices, regarded as the determining factor.

Steps are being taken to contain inflation. The 1968 budget of the Federal Government was programmed for a deficit of new cruzeiros 1.2 billion (U.S.$300 million) and was held to under that figure. The 1969 budget allowed for a similar deficit, although with the Finance Ministry obtaining increasing revenues and with expanded powers of taxation, there is hope of cutting the deficit by 50 per cent. Other measures include tightening credit in the private sector and price controls. Wage rates are being tied to a once-per-year adjustment to the cost-of-living index and wage increases are expected to be granted only for increased productivity.

Canadian Trade Prospects

Brazil is now too large a market to be ignored. Its GNP is approaching Cdn.$28 billion, the highest in South America. The population is estimated at over 90 million, although with a wide divergence of purchasing power. The market is most competitive, both because of burgeoning domestic secondary industry and because of offers received from all trading nations, often supported by favorable financing terms.

The market is characterized by high ad valorem tariffs ranging up to 105 per cent, with the majority falling between 25 to 60 per cent, and by other import taxes. According to a government decree issued December 30, 1968, certain goods classified as luxury are now subject to import taxes of 100 percentage points on top of the existing duties. For example, a previous duty rate of 65 per cent ad valorem now totals 165 per cent. Among the items listed are some of interest to Canadian exporters, including processed fish, dairy products, processed fruits and vegetables, confectionery, products of plastic, leather articles, made-up furs, synthetic textile fabrics, all clothing, footwear, articles of ceramic and glass, aluminum and other metal housewares, toys, household electrical and electronic appliances. This decree does not apply to residents of the Manaus Free Trade Zone and more important, to suppliers located in LAFTA member countries.

Brazil supports a surprisingly well-developed secondary industry, much of it based on import substitution. This, for practical purposes, means self-sufficiency in a wide range of consumer goods and even in a variety of producer and capital goods. An official regulation—the National Law of Similars—requires that when all circumstances are more or less equal, the domestic product be favored over the import. A recently promulgated government decree similarly requires preferred treatment for domestic engineering, contracting and supplying firms in international tenders in the Brazilian market when the Brazilian firms' bids are within 15 per cent of those of foreign bidders.

What We Sell

Canadian exports to Brazil nevertheless have recently been expanding; they totalled Cdn.$44.2 million for the first eleven months of 1968 compared with Cdn.$27.5 million for the full year 1967 and Cdn.$21.1 million for the full year 1966. Canadian export statistics reveal that exports of industrial raw materials, producer goods and capital equipment dominate the picture. A rough breakdown evaluates the relative importance of these categories:

Value of Exports January/November 1968

Consumer Goods—Foodstuffs, passenger cars and chassis, carpets, toys, jewellery, tableware, stationery, photographic equipment and supplies, printed matter Cdn.$864,000

Industrial Raw Materials—Asbestos milled fibers, sulphur, newsprint paper, sheet and strip steel, aluminum ingots, copper refinery shapes, zinc blocks

and Cdn.$43,500,000

Producer Goods and Capital Equipment—Generators and parts, office machinery, metalworking machinery, tools, parts and accessories for motor vehicles, aircraft, engines and parts

Sales of aircraft engines and parts were particularly noteworthy in 1968. However, a recent government decree severely limits such imports, restricting them to replacements and requiring official approval for importing them.

Getting Started

Canadian firms wishing to commence business with Brazil should, in the first instance, direct inquiries about the market to the Department of Industry, Trade and Commerce, Ottawa, and to the Commercial Division, Canadian Embassy, Rio de Janeiro and the Canadian Consulate, Sao Paulo. To assure success in introducing a new line it is practically mandatory to assess the market personally, including a study of technical requirements, to become well briefed about the economic and political circumstances and to select and appoint agents.

Canadian firms currently exporting to Brazil and experiencing difficulties in maintaining sales, as well as newcomers to the market, (including engineering and other consultants) might, if circumstances appear to warrant it, consider joint ventures with Brazilian counterparts or the establishing of branch plants. In this context, the recent government decree referred to in previous paragraphs favoring Brazilian-based contractors and suppliers should be borne in mind.

For practical purposes, Brazil is unique in Latin America because of its huge size and population (it has half the South American population and half its land area) and its Portuguese language and basic culture. Spanish-language literature is not usually acceptable.

In directing concrete offers to Brazil for producer and capital equipment, remember that Brazilians apparently prefer sophisticated lines of advanced design. For costly equipment of this nature it is a prime requirement to offer financing, medium or long term, to meet competitive offers. For consumer goods, price is a major consideration and Brazil's high tariff rates should be taken into account.

90524—2½

Chile's growth slowed down for two years, then came serious drought. But the economy is moving again and foreign loans are creating sales opportunities.

GARY E. MULLINS, *Assistant Commercial Secretary, Santiago*

■ The past 24 months have been difficult and troublesome for Chile's economy. The gross national product, which now stands at roughly U.S.$5 billion, expanded at an average rate of more than 3 per cent per capita in the 1961-66 period but showed no per capita growth in 1967 and declined in 1968. Exports, which had risen at an average yearly rate of 12.4 per cent in the years from 1961 to 1964, rose at a rate of only 1 per cent in 1967 and 3 per cent in 1968 to a total of about U.S.$900 million. These small rises in exports during the last two years resulted in 1967 solely from increased copper prices and in 1968 from slightly larger production and firm prices. The trade surplus declined by 75 per cent in 1967 and became a deficit in 1968, when imports exceeded exports by a slight margin. Inflation, which is a chronic problem in Chile, increased to 21.9 per cent in 1967 and to 27.9 per cent in 1968.

Although these main indicators for the past two years have been somewhat discouraging, it must be pointed out that at the same time substantial basic improvements in the Chilean economy have been going forward. Investment is now under way in a series of basic large-scale industries and this increasing investment will have a stimulating effect on the economy in the early years of the 1970's. The 1967 and 1968 investment trends will continue through 1969 with confirmed investment intentions of more than U.S.$500 million for the copper, petrochemical, metal, pulp and paper, and agricultural processing industries alone. In addition to these investments, the Government has initiated major programs designed to increase the level of participation of the less privileged classes in the economy of the country. The objectives are being attained through the introduction of a new progressive tax system, laws establishing increased minimum wages for the lower-paid groups, and through a comprehensive agrarian reform program. These activities have also, however, had the effect of increasing uncertainty among the smaller firms in the secondary manufacturing sector and this has tended to produce a go-slow attitude to investment and new product development.

In addition to the difficult and challenging problems of trying to initiate both economic development and economic change, Chile has had to contend with the worst drought in over a hundred years. This drought had little effect on agricultural production in the 1967-68 crop year (which ended June 30, 1968) but the prospects for the current crop year are depressing. In the second quarter of 1968, when the full extent of the drought was being recognized for the first time, the Government was forced to introduce a series of drastic emergency measures. These increased the demand on the social welfare resources of the country and diverted investment from priority development projects to saving existing investment in agriculture. The drought will reduce this year's crops by an estimated 15 to 25 per cent and make further demands on foreign exchange which is in chronic short supply.

Canadian Opportunities

At the top of the list of Canadian products which are being sold in Chile are educational equipment for the State Technical University and

—World Bank Photo

Prominent among Chilean industries is pulp and paper; Canadians have provided both engineering services and equipment for it. These pine logs being carried along on a conveyor belt at the Laja plant will be used for making chemical pulp.

telecommunications equipment for ENTEL, Chile's national telecommunications company. These sales will be made under concessional loans arranged by the Inter-American Development Bank, using funds from the Canadian International Development Agency. Work on these two loans progressed well in 1968 and first purchases are to be made in 1969. The loans are each of U.S.$4 million and will provide opportunities for equipment purchases over the next three years.

An interesting sector in 1969 for Canadian equipment firms will be the forest industries. The needs of contractors for prefabricated housing mean that the sawmilling industry is entering a phase where kiln-dried dimension lumber is required. This is being interpreted by the industry in terms of a definite need for modern and efficient sawmills. The Government is now encouraging this sector with loans not only for sawmills but for logging equipment as well. Logging practices are changing with the introduction of rubber-tired log skidders to replace the oxen and carts which are still seen throughout the south of the country. Similarly, chain saws are becoming increasingly popular; the market is an estimated 1,000 units per year.

The pulp and paper industry is developing rapidly but equipment purchases for the current pulp mill projects are tied to U.S. and European suppliers because of financing. However, discussions now under way between CORFO (the Chilean Development Corporation) and other foreign investors indicate there may be further opportunities for Canadian engineering firms and equipment suppliers.

The Chilean capital, Santiago, now has a population of more than three million but does not yet have a modern rapid transit system or network of freeways. Chile's Ministry of Public Works has assigned high priority to the construction of a subway system which will need specialized engineering services as well as sophisticated equipment. This project was much discussed in the last months of 1968 and important decisions are expected early in 1969.

The Chilean market for Canadian agricultural products should improve during the year. Canadian firms have surmounted the hurdle of bidder registration with ECA (the government food-importing agency) and hope to sell once more milk powder, potatoes and possibly wheat. Sales of breeding cattle may also be possible within the next 24 months but credit terms probably will again be a most important factor.

The market for electrical generating, transmission and distribution equipment is opportune for the Canadian supplier. A World Bank loan provides the basis for expansion into the early 1970's, with many demands yet to be filled.

Specialty machinery will continue to occupy an important place in Chile's import pattern. Canadians must have a good representative if they want to get the business. The Trade Commissioner's team in Santiago can assist manufacturers of specialized industrial equipment by determining probable demand and introducing them to one of many good agents who are in close contact with the office.

This year will doubtless be another one of change. Inflation is expected to continue at the same rate as in the last two years; investment will continue to be substantial in the industries already mentioned. The results of investment in social progress will not be felt immediately. Imports of goods, particularly industrial equipment and agricultural products, will expand at an increasing rate, probably exceeding the rate of export growth, and this will temporarily increase Chile's demands on the world money markets.

Chile has the skills, the people, the resources and the desire to continue the rapid rate of economic growth which characterized it through the early and mid-1960's. The groundwork which is now being laid will provide a firmer basis for continued expansion in 1970 and beyond.

Whaling Out of Durban

■ South Africa today has only one whaling shore station, at Durban on the Indian Ocean; the Saldanha station near Cape Town was closed last year. In 1968 this Durban station caught 1,398 whales—1,211 sperm and 187 of other species. Comparing these figures with those for 1913 illustrates dramatically how the industry has declined: in that year 9,000 whales were taken and 40,000 tons of oil produced. There were 16 shore stations and eleven factory ships operating along the coast, from the mouth of the Congo right around to East Africa.

Whaling today is closely regulated and since 1946 the catching of certain baleen whales (right and blue whales and humpback whales south of the Equator) has been forbidden because these species were becoming extinct. The season for catching sperm (toothed) whales lasts for eight months and for baleen six months and the two seasons run concurrently. Each station must submit detailed records of each whale caught, specifying not only time of capture, species, sex, and length, but also stomach contents, etc., and whether or not it was pregnant. Government inspectors keep a careful check. There is also a quota laid down; for the Durban station in 1967 it was 2,847 sperm and 236 baleens.

Whale products are normally divided into four categories: oil, meal, meat, and meat extract. Oil from the baleen whale is edible and is used for margarine, the tanning of leather, and as an additive for paints and varnishes. Oil from the sperm whale is used primarily for lubricants. It contains a wax, spermaceti, which is used for making candles and lipstick, and for pharmaceutical purposes. After the wax has been removed the oil residue is used mainly as an additive to mineral oils, giving them fluidity and load-bearing ability. This type of oil is also used for lubricating precision tools, rock drills, aircraft engines and refrigerators.

Meat from the baleen whale is exported overseas for both human consumption and for pet food. A new plant has been erected recently at Durban to process whalemeat and Japan alone is expected to import 2,000 tons a year for human consumption. Some of the meat is concentrated into meat extract which, after sterilization, is sold to manufacturers of packaged soups. It is said whale meat extract is indistinguishable from extracts of any other meat. Meat of the sperm whale is processed into a high-protein meal which is exported as an ingredient for pig and poultry food.

—H. VAN ALPHEN, *Commercial Assistant, Cape Town*

Peru faced up to its economic problems and took action to solve them. Emphasis on local industry will hurt some Canadian exports, provide opportunities for others.

D. J. BROWNE
Acting Commercial Secretary, Lima

■ Mid-1967 saw the insidious effects of inflation and excessive government borrowing take hold of the formerly dynamic Peruvian economy. First came a 40 per cent devaluation of the sol in September 1967, to be followed by a 10 per cent sales tax on Peruvian exports in December and a 10 per cent surcharge on the c.i.f. value of all imports beginning in June 1968. The past year, as a result, has been one of severe retrenchment.

The basic economic structure of the country has, however, remained sound and immediate remedial measures were taken by the military regime which assumed power in October 1968. Top priority was given to refinancing to 1970-74 a major portion of Peru's heavy external debt. In return for assurances of strict budgetary controls, further stand-by and contingent credits were also granted by the IMF and a group of 41 foreign banks.

This was followed by tighter domestic taxation and prohibition of the import of many non-essential items (mainly finished goods) until March 1969, a measure which is expected to be extended for at least six months more.

—Int. Road Federation

Providing good roads in the rain forests of Peru is a tough assigomeot, as this photograph of a truck in trouble oo ooe sectioo of the Trans-Aodean Highway proves. Foreign aid is helpiog to solve the difficult communications problem.

All but the most important of government development and infrastructure projects have been suspended until a detailed study has been carried out and priorities assigned. Most Ministries are being reorganized to increase their efficiency and to reduce the size of the civil service.

Although private enterprise and foreign investment still receive priority, strong nationalistic tendencies are evident in the new Government. Already the production and refining operations of the International Petroleum Company (incorporated in Canada but a subsidiary of Standard Oil of New Jersey) and the 625,000 acres of cattle and sheep ranches belonging to the Cerro de Pasco Corporation, two of the largest U.S. investments in Peru, have been expropriated. The expropriation terms are in both cases being disputed. Banking has also been affected by recent legislation which requires Peruvian ownership of new banks and increased participation in existing ones.

In each case, official statements have contended that there were special legal and social circumstances and these actions had nothing to do with discrimination against foreign investment. However, the immediate effect has been a wait-and-see attitude by potential foreign investors in spite of new incentives granted by recent legislation.

Besides the incentives offered to new industries under the 1960 Industrial Development Law, recent legislation encourages the development of specific economic sectors and geographical areas. These measures include new tax benefits under Mining Code amendments, an Agricultural Promotion Law granting varying incentives to enterprises engaged in the production, processing and marketing of foodstuffs, and legislation affecting rural electrification, reforestation, cattle raising, hotel construction and petrochemicals. Several provinces have also established industrial areas offering benefits to certain industries.

The Government puts particular emphasis on the export of Peruvian products. Promotion campaigns are being implemented, new markets and marketing techniques such as barter are being explored, and energetic steps are being taken to improve quality and competitiveness.

Government economies have cut the budgetary deficit down to U.S.$48 million from an all-time high of U.S. $130 million at the end of March 1968 and stability is expected by late 1969. Import restrictions and higher prices for Peruvian exports produced a 1968 balance-of-trade surplus of U.S.$236 million and the balance of payments is expected to show a deficit of U.S.$10 million, which is a marked improvement on the U.S.$110 million deficit of 1967. Foreign exchange reserves have been slowly but steadily increasing; 25 per cent coverage of monetary circulation was regained last November. Although the construction and automotive industries remain depressed and investment conditions are uncertain, primary industries are recovering and increasing the supply of the wide range of normal Peruvian export commodities.

Opportunities for Canadians

In the immediate future, indications point to the maintenance and possibly the extension of import prohibitions covering all but the most essential consumer goods; there will not be many opportunities in this area for Canadian exporters. Canadians must therefore try to assess the impact of this legislation and other government policies and see if they can discover new sales prospects. The current shortage of foreign exchange, tight credit, heavy financial commitments in 1970-74, and emphasis on new commercial techniques such as barter and importing by consortia call for a re-evaluation of Canadian sales terms and conditions. This must be done both for the existing situation and for the long term when a substantial improvement can be expected. Investment, licensing and joint-venture programs should also be reviewed in the light of new legislation and other government actions.

The prohibition of non-essential imports and strict austerity measures have greatly enhanced some sales prospects. Here are examples:

Auto Parts—With purchases of new vehicles now reduced to very low levels, the demand for repair parts is mushrooming. Canada, with proven competitiveness in this field, should take immediate steps to maximize its share of the market.

Often rather small and highly individualistic, Peruvian auto parts importers are accustomed to ordering their requirements mainly from illustrated catalogues published by foreign export houses. They are now thinking of forming import consortia which will be able to place volume orders and maintain larger stocks. Local assembly plants also want dealers to increase inventories.

Raw Materials, Machinery, Equipment—The expansion of local production of substitutes for goods prohibited import is receiving official encouragement. Increased plant capacity and production in the near future will create new opportunities to sell plant machinery and equipment, industrial chemicals and raw materials, and components whose import is viewed favorably under the Industrial Development Law. These markets should continue to expand in the long term too. There is growing local interest in new licensing agreements and joint ventures.

New legislation and government encouragement for the development of specific economic sectors and geographical areas warrant detailed study.

Agriculture—Because Peru has basically an agricultural economy, priority is given to upgrading, diversifying and developing all agricultural resources. The program of agrarian reform and projects to open up and colonize remote areas might eventually create a demand for Canadian agricultural technology, consulting skills and low-cost buildings. New crop possibilities are being studied; Canadian seed potatoes are now being tested to see if they will do well here.

The prospects for selling Canadian dairy, beef and breeding cattle appear exceptionally favorable. There are also possibilities for semen, swine and Canadian grains. The Peruvian demand for agricultural machinery and equipment is growing and this market has hardly been touched by Canadian manufacturers.

WHAT CANADA SELLS TO PERU

	1966	*1967*	*(11 mos.) 1968*
	(Canadian dollars)		
Total	**36,355,346**	**32,567,734**	**19,901,619**
Principal Commodities			
Malt	482,243	999,984	932,696
Wheat, except seed n.e.s.	309,344	....	....
Manmade fibers and waste n.e.s.	448,650	220,675	9,747
Asbestos milled fibers, group 4 and 5	428,570	532,076	285,127
Wood pulp, bleached sulphate, paper grades	305,814	511,707	292,709
Wood pulp, sulphate, unbleached, paper grades	514,907	844,451	1,095,793
Newsprint paper	2,274,785	2,461,365	2,284,938
Tire fabrics, rubber coated	372,065	95,290	....
Plastic and synthetic rubber not shaped n.e.s.	133,018	308,081	140,651
Sheet and strip steel n.e.s.	1,895,047	2,288,758	2,178,634
Aluminum pigs, ingots, shot slabs etc.	972,755	809,333	777,556
Aluminum fabricated materials	111,137	478,107	4,610
Insulated wire and cable	213,966	465,791	196,341
Power boilers, equipment and parts	44,213	484,448	21,807
General purpose industrial machinery and parts	88,180	569,195	1,215
Mining-quarrying machinery and parts	338,448	213,819	143,453
Passenger automobiles and chassis	10,182,126	4,957,579	2,810,812
Trucks and chassis, not over 6,000 pounds	1,235,494	832,322	734,112
Trucks and chassis, commercial	8,109,698	7,194,904	2,056,618
Parts and accessories for motor vehicles	1,503,608	738,707	99,388
Aircraft engines and parts	304,304	375,430	155,125
Aircraft complete with engines	....	928,540	366,050
Pleasure sport craft, self-propelled	....	....	300,000

Scarce foreign exchange resources are readily allocated for agricultural purchases, within the limits of the austerity budget. Intensive promotion by Canadian exporters, combined with offers of Canadian credit, would ensure us of a large slice of new business.

Mining and Petroleum—Peru has extensive untapped mineral and petroleum reserves; the enhanced incentives under the amended Mining Code have made it the scene of intensive exploration and development. Growing requirements for machinery, equipment, explosives and related items are anticipated. Orders from international companies are normally placed through their foreign head offices but local companies deal with manufacturers' representatives.

Forestry and Fisheries—The virgin forest areas and established fishing industries are currently the object of development, expansion and modernization efforts. Both fields offer opportunities for investment and joint ventures. Attractive sales prospects are developing for items such as skidders, sawmill equipment, fishing vessels and deck gear. The fishmeal and pulp and paper industries, (based mainly on bagasse) will benefit indirectly and this might also work to Canada's advantage.

Area Development—The development of the mountain and jungle areas of Peru calls for provision of communications and infrastructure. There might be prospects for Canadian consulting services as well as for capital equipment. The preliminary analysis is under way but the full implications for Canada are not yet known because priorities have not been announced and the present budgets are very limited.

Do It Now!

Canadian exporters should take advantage of the goodwill created by the recent Ministerial Mission to Latin America which did much to make our country better known in the countries it visited. Canada will have its own pavilion at the Pacific International Trade Fair from November 14 to 30, 1969. Canada participated first in 1967 and the exhibit was a great success. If you would like to show samples of your products there, write immediately to the Trade Fairs and Missions Branch, Department of Industry, Trade and Commerce, Ottawa.

If you want more information on local laws and government policies or the prospects for your product, write to the Department of Industry, Trade and Commerce in Ottawa or the Trade Commissioner in Peru who can also put you in touch with reputable manufacturers' representatives.

ADELA Reports on Its Work

■ "During its 3½ years of existence, ADELA has now participated in, and to a large extent sponsored, altogether $800 million worth of new investment in Latin America." This was the statement made by the chairman of ADELA's Board of Directors, Mogens Pagh, in his letter to the shareholders prefacing the annual report for the fiscal year ended June 30, 1968.

ADELA, or the Association for the Development of Latin America, was set up in 1963 with tbe purpose of providing private equity capital for projects to build up industry in that area. It has an authorized capital of U.S.$50 million, subscribed by organizations (industrial, financial and otherwise) in 19 countries. Canada has subscribed $3 million, provided by five of the chartered banks, Alcan Aluminium, Brazilian Light and Power, Canequip Exports Ltd., and Cominco. The only larger subscribers are the United States and Switzerland.

In fiscal 1967-68 ADELA made 36 new commitments for equity investments and financing in 13 Latin American countries, for a total of $26.5 million. Major investments were made in four of the 13 countries—Brazil, Chile, Mexico and Venezuela. In fact, three of these—Brazil, Venezuela and Chile—have, with Central America, accounted for the largest share of total commitments since ADELA began its work.

In what areas is the investment concentrated? According to the report, forestry, pulp and paper is the sector in which investment has been greatest with 18 per cent of total commitments, mainly because of the size of the projects aided. Next come agriculture, fishing and food processing with 15.1 per cent and capital goods manufacturing, also with 15.1 per cent. General manufacturing (14.8) and textiles (8.4) follow. It should be pointed out that ADELA is normally a minority shareholder in projects and nearly all its investments are joint ventures with Latin American (and often other) partners.

Acting as entrepreneur, ADELA and its allied company Adelatec (Adelatec Technical and Management Services Company S.A.) worked on the launching of a number of projects in 1967-68. Among these were:

1. The $77 million Olancho forestry project in Honduras. A sponsoring group has been put together to provide initial capital for the Honduras Paper Company and arrangements have also been made for the supply of tecbnical knowhow and management services.

2. A $48 million rayon pulp project in the state of Rio Grande do Sul in Brazil. Financing for this project was reported as virtually completed, with a group of Norwegian investors playing a prominent part.

3. A tourism and hotel development project being initiated in Latin America jointly with Braniff International Airlines, Western International Hotels, and Deltec Panamericana. These four sponsors have set up Hotel Associates S.A., an investment and hotel management company, that has begun operations in Ecuador. Following a continent-wide survey, the directors picked areas with greatest tourist potential and then carried out feasibility studies on tourist development projects. Eventually, says the report, "the program should lead to total investments in hotels and tourism facilities of about $150 million over a period of seven to ten years, of which the first phase, presently in the stage of planning and design, would involve an outlay of about $30 million."

4. In Venezuela, ADELA and Adelatec are working with the Venezuelan Development Corporation to identify industrial opportunities and the potential strength of Venezuelan enterprises within larger market areas, such as the Andean Group. Some studies are already going forward.

Today ADELA has six wholly owned subsidiaries—one in Mexico and one in Venezuela, both set up in the 1967-68 fiscal year, one in Brazil that has been operating for about a year and a half, and three incorporated in Panama. These are ADELA International Financing Company S.A., which provides financing and investment banking services, Compania de Inversiones (Panama) S.A., and Adelatec, mentioned previously. The ADELA head office is in Luxembourg and its main operating office for Latin America is in Lima, Peru. There are also resident representatives in a number of countries.

Bolivia: investment and loans improving economic picture.

LUCIO G. POMA
Commercial Officer, Lima

■ The Bolivian economy is still dependent upon its mineral resources, and tin looms large as the single commodity for export and for keeping the balance between prosperity and recession. However, a slow change is taking place through diversifying production of minerals for export and the installation of tin smelter facilities.

Bolivia has recently become self-sufficient in some basic commodities, such as crude oil and byproducts, sugar, lumber and rice and has reached the stage of sizable surpluses for export. Nevertheless, its balance of trade continues to be unfavorable and resulted in a moderate deficit of U.S.$7.4 million in 1967. The balance of payments has a proportionally larger deficit because the foreign debt has increased to U.S.$301.7 million in 1967.

Restrictions Imposed

The trade gap for 1968 is expected to be substantially reduced or perhaps eliminated as a result of higher import taxes and a number of import prohibitions decreed last April in instances where similar products are available or can be supplied in the near future by local industries. The restrictions appear to have been imposed on a trial basis, because some banned items were later scratched from the list and the Government has since refused requests to enlarge it. In addition to higher duties, an overall 10 per cent surcharge was imposed on the value of an import. The small size of the domestic market continues to be a determining factor for both local manufacturers and foreign suppliers. Negotiations within the Andean Group may provide additional outlets for domestic industries. Commercial firms are holding large inventories of consumer goods and therefore are not giving replacement orders, in expectation also of a relaxation in government import policies.

Increased government expenditures and servicing of the external debt were expected to mean a budget deficit of about U.S.$25 million for 1968, which is still smaller than those of recent years. Extraordinary expenditures resulting from the successful campaign against the Communist guerrillas in 1967 account for some of the deficit. Mounting pressure from civil servants—a high percentage of the national labor force—to obtain salary increases may mean a slightly larger deficit this year. The net foreign exchange reserves by the end of 1968 were about U.S.$31 million, or 30 per cent of currency circulation. The GNP increased by 5 to 6 per cent in real terms during 1968, according to reliable estimates, as depressed tin prices were offset by a substantial boost in crude oil production. The private and public investment rate is expected to better the average of 22 per cent of GNP for the previous three years. The exchange rate has been maintained for over ten years at 12 Bolivian pesos per U.S. dollar.

Some recent developments indicate sustained confidence in the Bolivian economy. Large private investments have been made in mining and petroleum production, construction, and the manufacture of explosives. Several loan agreements were concluded, including one with the Canadian Government for Cdn.$1.6 million. A pipeline is scheduled to be built shortly to supply Argentina with natural gas.

Prospects for Canadians

Imports of durable and non-durable consumer goods will probably be smaller this year. Competition in consumer goods is very keen among U.S., Argentine and European suppliers, but credit facilities often play a decisive role—to a newcomer's advantage. In selling capital goods, liberal credit terms are the key in a country ex-

—IADB Photo

Mining is still the mainstay of the Bolivian economy, particularly the tin mines, which provide the bulk of its exports. Crude oil and lumber are also becoming important. These industries all import equipment to meet production needs.

tremely short of investment capital. Mining is still the major sector requiring equipment and materials, but the more than 100 sawmills in operation in the eastern area may prove to be excellent customers for band saws and sophisticated ancillary equipment.

The Inter-American Development Bank has granted a U.S.$12.5 million loan for telecommunications; Britain will be the major supplier but opportunities will open up for materials and minor equipment as calls to tender are issued. Breeding stock of beef and dairy cattle is currently being bought in considerable quantities from Argentina and there is no reason why Canadian cattle could not be introduced.

Last but not least, the Bolivian Investment Law provides for a series of incentives, guarantees and privileges to the benefit of the foreign investor. This is also true of the new Mining Code.

The Commercial Section of the Canadian Embassy in Lima is ready to give detailed information on the demand in Bolivia for specific products and commodities, advise on the appointment of agents, and otherwise support the introduction of Canadian goods into this steadily growing market.

Colombian business is improving, but trade opportunities still limited by foreign exchange shortage; financing terms vital in making sales.

SAMUEL F. PATTEE, *Assistant Commercial Secretary, Bogota*

■ The year 1968 can generally be considered as a good one for Colombia. In spite of some political upheaval in early June, when President Lleras threatened to resign if his proposed constitutional reforms were not approved, and in November, when he asked the members of his cabinet to turn in their resignations if some of them continued to oppose the reforms, the Government is in firm control of the Colombian political and economic situation and proceeding on a steady course.

The reforms were approved in December and now that the state of siege declared in May 1965 has also been raised, the way has been cleared for greater political stability and a healthier business climate.

The international financing organizations have acknowledged the country's good progress towards solving its economic problems and are showing their confidence by granting Colombia fairly substantial loans for various projects.

Colombia ended the year with a favorable trade balance of U.S.$42 million. Increased exports amounting to U.S.$556 million and strictly controlled imports of U.S.$514 million made this possible. To this last figure must be added U.S.$93 million in non-reimbursable imports. These include imports for which no foreign exchange is disbursed directly from the reserves, such as those financed through loans from international organizations. The resulting figure of U.S.$607 million in imports for 1968 represents an increase of some U.S. $85 million over the previous year.

Controls Slightly Relaxed

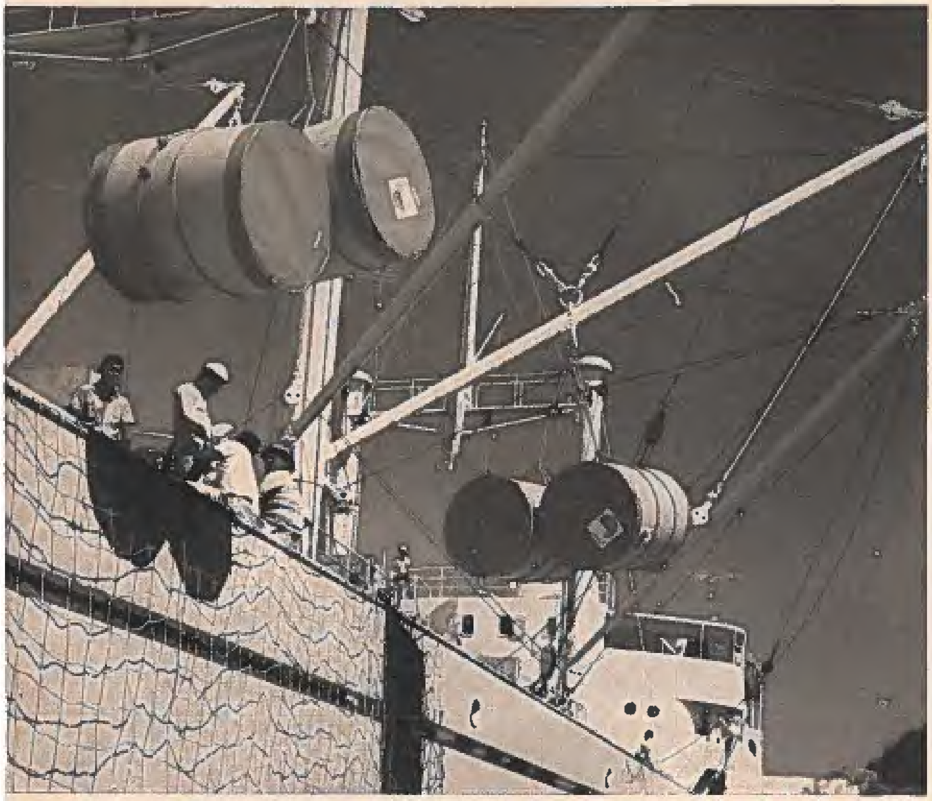
Although the strict control measures imposed at the end of 1966 and in early 1967 remained in force, they were somewhat relaxed in 1968. In May, the Government reintroduced a decree of trade liberalization, placing about 20 per cent of the country's import trade on the free list (requiring no prior licensing). To keep demand in check, however, the Government concurrently raised the prior deposit requirement for many of these items, although it also reduced the deposit on some others not included on the free list.

The free list now includes products like seeds, asbestos, chemicals, rubber, paper for periodicals and cigarettes, iron alloys, lead, zinc, aircraft engines, excavating machinery, printing machinery, generators, tractors and certain scientific and medical research instruments.

Business activity, somewhat sluggish at the outset of 1968, gained momentum during the second half of the year and the economic climate took a decided turn for the better. Most industries turned in good performances and production of sugar, cement, metalworking products, textiles and foodstuffs showed significant gains. According to preliminary estimates, industrial production rose by about 5.5 per cent in 1968 compared with 4.5 per cent during the previous year. Steps taken to develop an export consciousness among manufacturers have begun to yield promising results. The export volume of manufactured goods has increased tenfold since 1960 and expansion is expected to continue.

Although coffee is still the mainstay of Colombia's economy, this heavy dependence on a single product for foreign exchange earnings is slowly changing in favor of greater diversification. Minor exports (everything but coffee and petroleum), were up 30 per cent in 1968 and are expected to rise a further 25 per cent in 1969.

Foreign exchange reserves at the end of 1968 totalled approximately U.S.$35 million, compared with U.S.-$15 million at the end of 1967. A relative degree of internal price stability has been achieved with the cost of living rising only 8 per cent.



Shipments of newsprint are still unaffected by the Colombian import restrictions and enter free. These rolls of newsprint being offloaded at Santa Marta come from Canada and are destined for use by two major Colombian newspapers.

Outlook for 1969

The year 1969 promises to be an even better one for Colombia. The term of the present Government runs until the middle of 1970 and, barring unforeseen events, it will continue its present policies. The outlook for industrial production is for moderate but sustained expansion. A higher growth rate is possible if ways are found to increase savings and investment.

According to the latest prognostications from the Colombian Government, imports for 1969 will reach about U.S.$684 million, an increase of more than 12 per cent over the preceding year.

Limiting Factors

Several factors limit the opportunities for Canadian manufacturers to take advantage of the Colombian market. These do not prohibit the sale of Canadian products to Colombia but they do affect our competitive position.

The first of these factors is legislation passed within the last two years which prohibits the import of all consumer and many capital goods. The Government has also implemented protective tariffs and imposed import licence requirements and heavy prior deposits on products similar to those manufactured in Colombia. This policy of import substitution is based partly on the chronic shortage of foreign exchange and the implications for Canadian manufacturers of such products are self-evident. As mentioned earlier, certain of these restrictions have been eased in the past year but many products remain subject to them.

Second, Colombia has barter agreements with almost all Eastern European countries and with Spain, under which capital equipment, raw materials and other products are exchanged for coffee. Preference is usually given to products for which coffee can be bartered, particularly in exchange for supplies and equipment for government or semi-government projects. In 1968, imports under these agreements reached U.S.$42.7 million. Here again, the implications for Canadian manufacturers are clear.

Third, West European countries have offered loans with generous terms to Colombia for imports of capital equipment. To date, France, Britain, Belgium, Sweden and Switzerland have provided such loans. To facilitate imports under such arrangements, the prior deposit is not required until the import licence is approved and even then the prior deposit can be financed as well.

Fourth, the U.S. Agency for International Development (AID) has in the past two years extended loans to Colombia amounting to approximately U.S.$100 million per year. Under these, Colombia can finance the import of U.S. manufactured products which appear on a negotiated list. The list covers a wide range of imports, including many agricultural products such as wheat, chemical specialties, raw materials and capital equipment. Negotiations are currently under way for another loan for 1969.

Finally, under LAFTA, certain imports from member countries do not require a prior deposit and receive preferential tariff treatment. Although not too many products are extended this treatment, Colombia does give preferences to such products as newsprint from Chile and aluminum from Venezuela.

In various ways and to varying degrees, therefore, several countries enjoy some advantage over Canada in the Colombian market. The market is not entirely closed, however, and opportunities do exist, particularly in projects for which international financing is available from such sources as the World Bank (IBRD) and the Inter-American Development Bank (IADB).

Opportunities for Canada

At a meeting held in Paris in January, Colombia presented to the Consultative Group of the World Bank a series of projects for financing to the amount of U.S.$327 million to cover the period January-December 1969.

These projects, when approved, will receive financing from the World Bank or from other sources such as the Inter-American Bank, the U.S. AID or individual countries. They cover almost every field and some of them should prove of interest to Canadian suppliers.

In the power field, although it is not on this year's list, the most interesting project is the Upper Anchicaya hydroelectric plant. It will generate 340,000 kw. and the total cost is estimated at U.S.$72 million. The Canadian International Development Agency recently approved a loan of U.S.$15.5 million for this project and engineering studies are currently being made by a Canadian firm with Canadian funds administered by the Inter-American Development Bank. For information on other power projects, see the article in *Foreign Trade* of January 18, 1969, "Colombia Evaluates Its Power Potential".

In transportation, the requirements will include highway maintenance equipment (U.S.$15 million) and air navigating aids (U.S.$3.8 million). In agriculture, one of the projects presented to the Consultative Group was for the supply of agricultural machinery worth approximately U.S.$6 million.

In addition to the above equipment, there are future possibilities for telephone equipment, educational equipment, and radio and television and communications equipment.

Financing Needed

To become competitive in the Colombian market, Canadian exporters would be well advised to re-examine their position on prices, credits, delivery and quality. A factor not to be overlooked in selling to Colombia is, in most cases, the financing that the supplier can offer.

Any Canadian firm wishing to participate in the numerous international tenders (only some of which are discussed above) should contact the Commercial Secretary in Bogota, who will keep it informed of all developments.

Ecuador is making trade agreements with Eastern Europe and seeking foreign loans. Import restrictions are affecting sales of certain Canadian products.

G. D. VALENTINE
Commercial Secretary, Bogota

■ Following the quiet inauguration of President Velasco for his fifth term of office (non-consecutive) in September 1968, Ecuadorians have settled down and are anxiously considering the future. There are a few bright spots, but there are also many clouds on the horizon.

Ecuador had a difficult year in 1968, with not only political problems but also a serious drought which is still affecting certain parts of the country. Fortunately the banana crop was not seriously hit but other important crops (such as rice, cacao and sugar) suffered badly.

Intermingled with the economic problems caused by the drought were the political problems which followed the new government almost from its first day in office. The civil service has expanded to over 35,000 employees and their salaries have risen by over 50 per cent in the last five years. In December, only three months after being appointed to their respective offices, five cabinet members resigned and a sixth, the Minister of Finance, resigned a month later after being bitterly criticized by local businessmen, as well as by the opposition. Even within the Government itself criticism has arisen and this has affected ability to concentrate on new proposals and reforms.

Following his election President Velasco put through the minimum wage law which, although it does not offer a high income, will put a further strain on already limited financial resources. New sources of income must remain the number one problem of the country.

Achieving Expansion

The Government is making various attempts to obtain more funds for expanding the economy but these attempts are meeting some opposition. The first one was to put a tax on shipments of sugar to the United States which was paying a premium price. The local industry complained vociferously and eventually a partial settlement was reached until an appointed commission could study the situation and bring in its report.

Another effort is being made in the petroleum field, perhaps the brightest spot in the future development of the country. Proposed government legislation for increasing royalties and taxes on petroleum discoveries in the northeast could well limit exploration and development. These fields are located in an extremely inaccessible region where development costs are already high. The proposed increases were included in the national budget for 1969 which was passed before the measures themselves were debated.

Exports and Imports Up

Exports of most products rose in 1968 and will probably reach a new high of slightly over $170 million, an increase of over $6 million compared with 1967. Coupled with this was an even greater rise in imports which should total over $240 million, or some $40 million over 1967. Reserves also went down substantially after a rather good showing in 1967. The exchange rate on the sucre is slowly creeping upward as a gradual inflation policy is being followed. The cost of living is rising and may tend to offset any advantages gained by the worker through the passage of the minimum wage bill.

The future is once again uncertain. The Government may take measures to limit imports this year, either by direct prohibition of consumer goods and other non-essential items, or by increasing the tariffs and prior deposits to obtain a higher government income. The prospect of Ecuador participating in the so-called Andean Group agreement seems slim as both government and private industry are opposing membership in the fear that tariff removal will close many plants and further reduce government income. The same fears are being expressed over LAFTA, in spite of the fact that both organizations are giving Ecuador preferential treatment.

The banana trade, which has always been the mainstay of the economy and furnishes approximately 45 per cent of total exports, is changing quickly. Anxiety is being expressed because the EEC has extended special privileges to certain West African banana producers under the Yaounde Convention of association. Japan, which has recently become an important market for Ecuador, may give special status to Taiwan in the coming future. U.S. sales are down because of the type of banana grown and as a result Ecuador is turning more and more to Eastern Europe. A recent sale of some 2,000 tons to the Soviet Union marks the first of what, it is hoped, will be a growing trade with that country. On February 3 the Government announced that diplomatic relations with the Soviet Union will be renewed, chiefly for economic reasons. Trade agreements have been negotiated with many other Eastern European countries in the last 18 months and Europe has now replaced the United States as the most important customer for Ecuadorian bananas.

Ecuadorian workers gather stems of bananas at a truck-loading point in Guayas Province. Markets for these, Ecuador's chief export, are changing today.

Foreign Financing

Shortly after the new Government took power in Ecuador, the Planning Board published a long list of projects for which foreign financing would be required. To date it has received few offers from world lending organizations, private banks or foreign governments. The World Bank recently approved a loan of some $5.5 million to purchase 12 purse-seiner fishing boats so that the schools of tunafish off the coast could be more efficiently exploited. This loan has aroused a great deal of interest in world shipbuilding circles, including Canada, and tenders will be announced this year. Other projects which may receive some aid include port studies and construction, railroad rehabilitation and communications projects, but nothing concrete is expected before mid-year. A German loan to finance a hydro-electric installation was announced in late 1968 after being discussed for a number of years.

Canadian Trade

Canadian exports to Ecuador remained at approximately the same figure as in previous years and consisted as usual of wheat, asbestos, paper and products, and smaller amounts of capital equipment. Import restrictions continue to make it difficult to obtain import permits for certain Canadian products.

Because of recent Ecuadorian Government statements, the situation may be further aggravated in 1969. In mid-January, the Government stated that it intends to follow a new policy of buying from those countries which buy from Ecuador and in the same amounts. New emphasis is being put on an article in the International Exchange Law which gives the Central Bank the authority to limit or prohibit an import if they feel this is necessary to correct a persistently unfavorable balance of payments.

In Canada's case, the Ecuadorian statistics show imports from Canada at Be$2,586,000 and exports to Canada at Be$16,000 during the first six months of 1968. Despite the fact that DBS statistics show a definite balance in favor of Ecuador (see page 4), future trade could be greatly affected unless Ecuador continues to recognize the discrepancy resulting from Canadian purchases of bananas consigned in the first instance to major banana markets in the United States, such as New York and New Orleans.

The table on page four gives the major purchases from Canada and thus indicates the most promising fields for sales.

COLOMBIA

Area: 439,714 square miles.

Population: 19.8 million.

Climate: tropical in coastal areas, cool in mountains.

Language: Spanish; sales literature in Spanish is essential.

Currency: peso (fixed); one peso equals Cdn.$0.63 (February 1969).

Foreign exchange and import controls: foreign exchange is strictly controlled and most commodities require an import licence or are prohibited from importation.

Weights and measures: metric system.

Capital: Bogotá; altitude 8,680 feet.

Chief ports: on Caribbean—Barranquilla, Cartagena, Santa Marta; on Pacific—Buenaventura.

Marketing centers: Bogotá (population) 2,206,091, Cali 815,294, Medellín 976,010, Barranquilla 593,779, Bucaramanga 285,499, Cartagena 293,103.

Economy: mainly dependent on coffee. Agriculture and cattle-raising important. Oil exploration and development progressing. Light industry is developing rapidly with considerable investment from abroad; the public sector is also receiving considerable assistance from foreign lending organizations.

Total Colombian imports: 1968—U.S.$607.0 million; 1967—U.S.$522.7 million (c.i.f.).

Chief imports: (per cent) 1967—machinery (non-electric) 25.9, chemicals 16.0, transport equipment 11.9, electric machinery 7.9, iron and steel 6.6.

Chief suppliers: (per cent) 1967—United States 45, West Germany 10.2, Britain 6.6, Japan 3.8, Canada 3.0, Panamá 2.4.

Value of imports from Canada: 1968 (Jan.-Nov.)—Cdn.$16.7 million; 1967—Cdn.$18.2 million.

Chief imports from Canada: (Cdn.$ million) 1968 (Jan.-Nov.)—newsprint 4.2, plastic and synthetic rubber 2.3, sheet and strip steel 1.6, asbestos 1.5, aircraft engines and parts .803, barley .623, aluminum .604.

Total Colombian exports: 1968—U.S.$557.0 million; 1967—U.S.$510.0 million.

Chief exports: (per cent) 1967—coffee (raw) 57.0, other agricultural products (cotton, lumber, tobacco, bananas) 29.5, petroleum 13.5.

Chief markets: (per cent) 1968—United States 43.3, West Germany 15.3, Netherlands 8.4, Spain 4.2, Sweden 3.5, Canada 1.5.

Value of Canadian purchases: 1968 (Jan.-Oct.)—Cdn.$9.8 million; 1967—Cdn.$13.4 million.

Chief Canadian purchases: (Cdn.$'000) 1968 (Jan.-Oct.)—green coffee 6,442; lumber, exotic species 1,064; footwear 670; corduroys, cotton 545; cotton yarn 526.

Prices: quote only in U.S. dollars, f.o.b.

Usual credit terms: sight to 180 days depending on situation. Some assistance to importer on financing previous deposit expected for volume shipments.

Samples: import restricted if of commercial value.

Visas: visa or tourist card required. **Inoculations:** smallpox.

Trade agreements: most-favoured-nation agreement with Canada. Equal tariff treatment of imports from all countries, with following exceptions: LAFTA preferential agreements; commodity compensation agreements with certain countries.

Import licensing, documentation, customs tariffs, marking and labelling: consult the Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa.

Correspondence: airmail only; letters 15 cents per half ounce.

For detailed information on this market write to: Latin American Division, Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa, or

Commercial Secretary, Canadian Embassy, Apartado Aereo 8582, Bogota, Colombia.

Import and Exchange Regulations in South America

The following paragraphs summarize import and exchange regulations affecting shipments to the Latin American countries. Canadian exporters who require more detailed information or advice on documentation should get in touch with the Latin American Division, Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa.

Argentina

Import Licences—Import licences are not required and except for automobiles, light tractors and some automotive products, virtually all goods may be imported. For certain commodities a prior deposit of 40 per cent of the c. & f. value is required at the time of making the Customs entry. This deposit is held without interest for 180 days or until the goods clear Customs.

Foreign Exchange—Exchange is made available through authorized banks. Payments for imports of capital goods of over U.S.$10,000 value are subject to the approval and control of the Central Bank. On such imports payments should not be more than 5 per cent of the f.o.b. value upon signature of the contract, and not more than 10 per cent plus freight, consular fees and insurance upon receipt of the shipping documents. The balance must be paid in varying terms from two to five years in equal instalments, depending on the amount of the import.

Tariff Features—Argentina is a member of GATT. Imports from Canada receive most-favored-nation treatment. Preferential treatment is extended to certain imports from member countries of the Latin American Free Trade Association. In addition to ad valorem duties levied on the c.i.f. value, imports are subject to a statistical tax of 1.5 per cent on dutiable imports or 0.3 per cent on duty-free imports and to a tax of 4 per cent of the ocean freight charges. Tariff classification is based on the Brussels tariff nomenclature.

Bolivia

Import Licences—Import licences are required for a short list of items. This includes certain foodstuffs and other consumer goods, some chemicals, petroleum products, earth-moving equipment and tractors. There is a ban on the import of cars (not including commercial vehicles) until July 31, 1969. The import of some locally produced food products, clothing, footwear, kitchenware, furniture and other consumer goods is also prohibited.

Foreign Exchange—There are no restrictions on foreign exchange.

Tariff Features—Imports from Canada receive most-favored-nation treatment. Preferential treatment is granted to certain imports from member countries of the Latin American Free Trade Association. Imports are subject to specific duty, ad valorem duty and an additional ad valorem duty. The ad valorem duties are assessed on the c.i.f. value. A Supreme Decree dated July 2, 1968, established a 10 per cent ad valorem surcharge on most imports. Tariff classification is based on the Brussels tariff nomenclature.

Brazil

Import Licences—Practically all imports into Brazil are now permitted. Prior to importing the importer must obtain a "quia de importacao" from the Foreign Trade Department of the Banco do Brasil. The import of luxury motor vehicles, rubber, petroleum products, arms and ammunition is controlled.

Foreign Exchange—Exchange is available through authorized banks at a rate set by the Central Bank.

Tariff Features—Imports from Canada receive most-favored-nation treatment. Brazil is a member of GATT. Preferential treatment is given to certain imports from member countries of the Latin American Free Trade Association. In addition to ad valorem duties assessed on the c.i.f. value, imports are subject to a port improvement tax of 1 per cent of the c.i.f. value and a merchant marine tax of 10 per cent of the ocean freight charges. Tariff classification is based on the Brussels nomenclature with certain modifications.

Chile

Import Licences—A registration certificate is required for all permitted imports and the import of many commodities is prohibited. Prior deposits ranging from 5 per cent to 10,000 per cent of the c.i.f. value are required for most goods and the importer must pay them at the time of registration. Deposits are held for 90 days.

Foreign Exchange—Foreign exchange is obtainable through the official bankers' market and is not made available until 60 days after the date of the bill of lading covering the shipment.

Tariff Features—Chile is a member of GATT. Imports from Canada receive most-favored-nation treatment. As a member of the Latin American Free Trade Association, Chile accords preferential treatment to certain imports from the other member countries. Imports are subject to specific and ad valorem duties. The ad valorem duty is assessed on the c.i.f. value. Tariff classification is based on the Brussels tariff nomenclature.

Colombia

Import Licences—All permitted imports require an import licence and registration with the Central Bank. Prior deposits ranging from 1 per cent to a maximum of 130 per cent must be made on most imports and are retained for 90 days after the goods have been cleared through Customs. A copy of the registration certificate must be presented to the Colombian Consul with the other export documents.

Foreign Exchange—The commercial bank must apply to the Central Bank to obtain an exchange certificate for the importer.

Tariff Features—Imports from Canada receive most-favored-nation treatment. Certain imports from member countries of the Latin American Free Trade Association receive preferential treatment. Most duties are ad valorem, assessed on the c.i.f. value, port of entry. Imports are subject to surcharges amounting to 3 per cent on the c.i.f. value. Tariff classification is based on the Brussels tariff nomenclature.

Ecuador

Import Licences—Import licences are required for all imports exceeding U.S.$100.

Foreign Exchange—The granting of an import licence by the Central Bank guarantees the necessary exchange at the official rate.

Tariff Features—Imports from Canada receive most-favored-nation treatment. Certain imports from the Latin American Free Trade Association receive preferential treatment. Imports are subject to specific and ad valorem duties. The ad valorem duty is assessed on the c.i.f. value, port of entry. Imports are divided into two categories: List I covers essential goods and List II luxury goods. The import of all goods not on these lists is prohibited. For goods on List I, a prior deposit of 35 per cent of the c.i.f. value must be made and for goods on List II prior deposits range between 50 and 140 per cent. For goods on List I imported under credits of 180 to 360 days the prior deposit is reduced to 15 per cent. In addition, goods on List I are subject to a surcharge of 10 per cent; surcharges of 20, 30 or 35 per cent of the c.i.f. value are payable on goods on List II. Purchases by certain government and other official organizations and imports of List I goods imported under credits of more than one year are exempt from prior deposits.

Paraguay

Import Licences—In general, imports are free of quantitative restrictions and licensing. Only some agricultural products in seasonal supply and certain petroleum derivatives are prohibited import. Certain non-essential imports are subject to a prior deposit of 100 per cent of the f.o.b. value. This deposit is held for 120 days.

Foreign Exchange—Exchange is available through authorized banks. Imports are subject to a foreign exchange surcharge of 32 per cent of the c.i.f. value.

Tariff Features—Imports from Canada receive most-favored-nation treatment. Preferential treatment is extended to certain imports from member countries of the Latin American Free Trade Association. Copies of the Paraguayan Customs Tariff are not available at the present time.

Peru

Import Licences—Import licences are not required. The import of an extensive list of luxury and non-essential items is prohibited.

Foreign Exchange—Importers must obtain exchange certificates from commercial banks for foreign exchange.

Tariff Features—Peru is a member of GATT. Imports from Canada receive most-favored-nation treatment. Preferential treatment is extended to certain imports from member countries of the Latin American Free Trade Association. Imports are subject to specific and ad valorem duties. Specific duty is levied in soles on the gross weight in kilograms. Ad valorem duty is assessed on the c.i.f. value, which is computed by adding 20 per cent to the f.o.b. value. Imports are also subject to a tax of 4 per cent of the ocean freight charges and a surcharge of 15 per cent of the c.i.f. value. An additional surcharge of 10 per cent of the c.i.f. value has been placed on many non-essential goods. Tariff classification is based on the Brussels tariff nomenclature.

Uruguay

Import Licences—Importers must obtain an import authorization from the Bank of the Republic.

Foreign Exchange—Exchange is obtainable from authorized banks.

Tariff Features—Uruguay is a member of GATT. Imports from Canada receive most-favored-nation treatment. Certain imports from member countries of the Latin American Free Trade Association receive preferential treatment. Ad valorem duties are assessed on the official value or on the c.i.f. value when no official value is indicated. In addition to duty, imports are subject to surcharges ranging from 30 to 300 per cent of the c.i.f. value or the official value expressed in U.S. dollars. Imports are also subject to a tax of 18 per cent of the c.i.f. value (this tax is only 8 per cent on raw materials for industry and 1½ per cent for a short list of items which includes fertilizers, books and crop seeds).

Prior deposits of 200 per cent are required on items subject to surcharges of 150 per cent or more; automobiles, trucks, pickups and chassis for such vehicles are subject to 400 per cent prior deposit except in certain cases. Certain capital goods and goods imported for public organizations are exempt from prior deposits. Deposits are held for eight months.

Venezuela

Import Licences—A number of items require a prior import licence from the Ministry of Development or from other government agencies.

Foreign Exchange—Exchange is available through commercial banks at the fixed rate of 4.50 bolivars to the U.S. dollar.

Tariff Features—Venezuela is a member of the Latin American Free Trade Association and has granted tariff concessions to other member countries on an extensive list of items. Imports from Canada receive most-favored-nation treatment. Items in the tariff are subject to specific duty levied in bolivars on the gross weight in kilograms. Additional ad valorem duty ranging up to 100 per cent of the f.o.b. value applies to a few items, notably those with gold or silver content. Imports are also subject to a tax of 2 to 3½ per cent of the f.o.b. value. Tariff classification is based on the SITC nomenclature.

Shipping Services from Canada to South America

TO:	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
ARGENTINA	Grace Line *(C. Gardner Johnson Limited, Vancouver)* Westfal-Larsen Line *(Empire Shipping Limited, Vancouver)*	Moore-McCormack Lines *(Moore-McCormack Lines (Canada) Ltd., Toronto)*	Argentine Lines *(Shipping Limited, Montreal, Toronto)* Brodin Line *(Kerr Steamships Ltd., Montreal, Toronto, Saint John, Halifax)* Colombus Line *(Kerr Steamships Ltd., Montreal, Toronto, Saint John, Halifax)* Moore-McCormack Lines *(Moore-McCormack Lines (Canada) Ltd., Montreal, Toronto)* Uruguayan Line *(B & K Shipping Agency, Montreal, Toronto)*
BOLIVIA	Grace Line *With transshipment at Arica, Chile, or Matarani, Peru*		Grancolombiana Line *(United Liners Agency Ltd., Montreal; Furness Withy & Co. Ltd., Toronto, Halifax, Saint John) With transshipment at Arica, Chile, or Matarani, Peru* West Coast Line *(Saguenay Shipping Limited, Montreal, Halifax; Clarke Traffic Services Ltd., Toronto, Hamilton) With transshipment at Arica, Chile, or Matarani, Peru*
BRAZIL	Grace Line Lloyd Brasileiro Line *(Kerr Steamships Ltd., Vancouver)* Westfal-Larsen Line	Moore-McCormack Lines	Argentine Lines Lloyd Brasileiro Line *(Robert Reford Co. Ltd., Montreal, Toronto)* Moore-McCormack Lines Netumar Line *(March Shipping Ltd., Toronto, Hamilton, Montreal)*
CHILE	Grace Line Grancolombiana Line *(Balfour Guthrie (Canada) Ltd.)* Westfal-Larsen Line		Grancolombiana Line West Coast Line
COLOMBIA	Grace Line Grancolombiana Line Westfal-Larsen Line	Great Lakes Transcaribbean Line *(Protos Shipping Limited, Toronto)*	Grancolombiana Line Great Lakes Transcaribbean Line *(Protos Shipping Ltd., Toronto, Montreal)* West Coast Line

Shipping Services from Canada to South America

TO:	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
ECUADOR	Grace Line Grancolombiana Line Westfal-Larsen Line		Grancolombiana Line West Coast Line
PARAGUAY	*Via transshipment at Buenos Aires or Montevideo. See shipping services to Argentina and Uruguay*		*Via transshipment at Buenos Aires or Montevideo. See shipping services to Argentina and Uruguay*
PERU	Grace Line Grancolombiana Line Westfal-Larsen Line		Grancolombiana Line West Coast Line
URUGUAY	Grace Line Westfal-Larsen Line	Moore-McCormack Lines	Argentine Lines Brodin Line Colombus Line Moore-McCormack Lines Uruguayan Line
VENEZUELA	Fern-Ville Line *(Canadian Blue Star Line, Vancouver)* Grace Line	Great Lakes Transcaribbean Line Saguenay Shipping Limited *(Clarke Traffic Services Ltd., Toronto)*	Great Lakes Transcaribbean Line Royal Netherlands Steamship Company *(Montreal Shipping Co. Ltd., Toronto, Hamilton)* Saguenay Shipping Limited *(Saguenay Shipping Ltd., Montreal; Clarke Traffic Services Ltd., Toronto, Hamilton)* Venezuelan Line *(Montreal Shipping Co. Ltd., Toronto, Hamilton)*

Turkey Expands Petrochemical Production

■ Turkey has started to build a petrochemical complex at Yarimca, close to the IPRAS refinery at Izmit. Petrochemical imports at present are running as high as U.S.$35 million a year. When the new complex is in full operation in 1972, its output will replace some U.S. $20 to $25 million worth of imported materials. However, Turkey's total requirement for petrochemicals will probably have risen substantially by then.

The first phase of the petrochemical complex includes a plant to produce 30,000 tons of ethylene and 20,000 tons of propylene from naphtha (production tests were scheduled for December 1968); a plant to produce 12,000 tons of polyethylene polymer from ethylene (production tests scheduled for February 1969); a vinyl chloride plant and a PVC plant with a capacity of 30,000 tons of polymer (production tests scheduled for December 1968); a dodecyl benzene plant to make 10,000 tons of detergent (production tests planned for October 1969), and a plant to produce 20,000 tons of caustic soda and 18,000 tons of sodium hypochlorite.

A 15,000-ton carbon black plant and a polystyrene plant with a capacity of 15,000 tons of polymer will be built in the second phase and should be ready for startup by the end of 1971.

Production of PVC, polyethylene and polystyrene from these plants will cover current requirements. The plants will be expanded to keep pace with growing domestic needs.

—CLIFFORD SWIFT, *Commercial Officer, Athens*

Markets in Brief

VENEZUELA

Area: 352,150 square miles.

Population: 9,352,000.

Climate: four climate zones: tropical, moderate, cool and cold. Caracas has an average temperature of 74.3°F.

Language: Spanish. Sales literature in Spanish preferable.

Currency: bolivar (official free); one bolivar equals Cdn. $0.2390 (February 1969).

Foreign exchange: available for imports at official exchange rate.

Import controls: a few items are prohibited or may be imported only by the Government. A number of items require a prior import licence.

Weight and measures: metric system.

Capital: Caracas, altitude 3,000 feet.

Chief ports: La Guaira, Maracaibo, Puerto Cabello, Guanto-Puerto La Cruz, Ciudad Bolivar, Puerto Ordaz.

Marketing centers: Caracas (population) 2,000,000, Maracaibo 919,863, Maracay 313,274, Ciudad Bolivar 213,543, Valencia 381,636, Barquisimeto 489,140, San Cristobal 399,163.

Economy: oil, iron ore, cattle raising, coffee, cocoa, gold, diamonds, manganese, forests, fisheries, fruit-growing, and a wide range of consumer industries.

Total Venezuelan imports: 1967—Bs.5,787 million; 1966—Bs.5,244 million.

Chief imports: automobile parts, agricultural machinery and implements, electrical and industrial machinery, drugs and chemicals, whisky, wheat, electrical appliances, manufactures of metal.

Chief suppliers: (per cent) United States 49.5, West Germany 9.1, Japan 5.9, Canada 5.4, Britain 5.3, Italy 5.1, France 3.7, Netherlands 2.2, Switzerland 2.1.

Value of imports from Canada: 1967—Cdn.$82.0 million; 1966—Cdn.$76.0 million.

Chief imports from Canada: (Cdn.$ million) 1967—automobile parts 35.7, wheat 9.5, newsprint 4.9, steel 4.7, milk powder 2.9, wood pulp 2.3, plastic and synthetic rubber 2.3, aluminum 1.8, seed potatoes 1.2, malt 1.1.

Total Venezuelan exports: 1967—Bs.13,697 million; 1966—Bs.12,875 million.

Chief exports: crude petroleum and refined products, iron ore, coffee, cocoa, shrimps, fruits.

Chief markets: United States, Netherlands Antilles, Canada, Britain, Trinidad and Tobago, Netherlands, Spain, Brazil, West Germany, France.

Value of Canadian purchases: 1967—Cdn.$276.3 million; 1966—Cdn.$215.1 million.

Chief Canadian purchases: petroleum and refined products (99 per cent).

Prices: quote preferably in U.S. currency, either f.o.b., Canadian port or c.i.f., Venezuelan port.

Usual terms of payment: generous credit terms usually offered by all exporting countries. It is advisable to consult with the Commercial Counsellor, Canadian Embassy, for ad hoc information.

Samples: import duty-free except for a few commodities, e.g. jewellery.

Visas: tourist card is required (30 days only). **Inoculations:** smallpox.

Trade agreements: most-favored-nation agreement with Canada. Equal tariff treatment of imports from United States, Britain and other countries enjoying most-favored-nation status.

Import controls, documentation, customs tariffs, marking and labelling: consult the Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa.

Correspondence: airmail only; letters 15 cents per half ounce.

For detailed information on this market write to: Latin American Division, Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa, or

Commercial Counsellor, Canadian Embassy, Apartado del Este 62302, Caracas, Venezuela.

Venezuela bought $100,000 worth of Canadian goods in 1968. Plans to diversify industry and improve agriculture should mean even larger sales this year.

J. H. BAILEY
Commercial Counsellor, Caracas

■ Economic activity in Venezuela has expanded strongly since the beginning of the 1960's, except for a temporary slowdown in 1966 and some short "marking time" before the elections at the end of 1968. The gross domestic product has been expanding at an average annual rate of between 5 and 6 per cent since 1962 and because of future investment plans by the Government and private industry, should maintain this rate for at least the next five years. The Central Bank's reserves of gold and foreign exchange amounted to nearly U.S. $900 million at the end of July 1968 (an increase of $150 million over the same month in 1967). Because of this, and with an inflow of over $150 million per month from exports and invisibles, there are unlikely to be any foreign exchange or foreign debt servicing problems which would affect Venezuela's ability to continue importing a wide range of merchandise worth over a billion dollars a year.

Although diversification is one of the fundamental goals of the Government's industrial policy, the Venezuelan economy still depends heavily on the petroleum industry. The latter accounts for 30 per cent of the GDP and over 90 per cent of export earnings, even though it only employs between 1 and 2 per cent of the work force. Thus the over-all economy continues to advance under the stimulus of increasing petroleum exports. The latter rose particularly fast after the Middle East crisis in 1967 and although demand fell off a little during the last half of 1968, exports should gain 3 to 4 per cent during 1969 because the foreign demand for petroleum products is expected to strengthen.

Manufacturing industries contribute an estimated 13 to 15 per cent of the GDP but the annual rate of growth in this sector is extremely high, averaging 7 to 8 per cent. Furthermore, in view of the Government's urgent need to provide more employment (over 7 per cent of the labor force is unemployed), the expansion of present industries and the establishment of new ones will receive every encouragement. About 15 per cent of workers are currently employed in manufacturing and it is expected that the industrial sector will increase its need for labor by at least 3 per cent a year. New ventures in a wide range of products (mainly consumer goods) are announced each month and, as the Government protects all new industries through an import licensing system, this trend should continue to be a major factor in keeping the economy buoyant during the next few years.

In agriculture, where over one quarter of the working population seeks its livelihood (but which accounts for only about 7 per cent of the GDP), the growth rate during 1968 was estimated at approximately 5 per cent. Progress towards self-sufficiency is impressive and some commodities such as rice, poultry and sugar are actually in surplus. The Department of Agriculture, with a budget of over $150 million for 1969, is concentrating on the improvement of crop yields and of the living standards of the "campesinos". This will be done through more financial aid to farmers, more technical assistance, commodity support prices where necessary, and other measures.

Construction has been the weakest spot in an otherwise expanding economy. While the Ministry of Public Works, with the largest share of the budget (over $500 million or 21 per cent for 1969), continues to show an impressive annual increase in the volume and value of works undertaken, construction in the private sector has slackened off. In fact, during 1968 it was running 40 per cent below the levels before the business slump of 1966. The main reasons for this have been the over-saturation of the Caracas market with medium- and high-priced apartment buildings and the inability of the financial institutions, under current loan policies and high interest rates, to meet the potentially strong demand for low- and medium-income housing. However, local contractors are optimistic about construction increasing during the second half of 1969 once the new Government has been safely installed.

In a world where inflation seems to be the order of the day, prices in Venezuela remain relatively stable. From 1960-66, for example, the average annual rate of increase in prices was less than 1 per cent and from 1966-68 the increase in wholesale prices was between 1 and 2 per cent. Venezuela has a high-cost economy, so this simply means that the prices of goods in other countries, such as Canada and the United States, may eventually reach the current highs in Venezuela.

Market Opportunities

The trade outlook for Venezuela is good: both imports and exports are expected to increase during 1969. Because exports are normally twice as large as imports (in 1967 exports amounted to U.S. $2.9 billion and imports U.S. $1.3 billion), there is a trade surplus. The major suppliers are the United States (50 per cent), Germany (9 per cent), and Japan (6 per cent), with Canada in a close contest with Britain and Italy for fourth position, each with approximately 5 per cent of the market.

Canadian exports to Venezuela increased over 10 per cent in 1968 and for the first time passed the $100 million mark. This makes Venezuela one of Canada's best customers, well ahead of larger countries such as France, Brazil and Mexico, and there is every indication that the Canadian position will be maintained or improved still further during 1969. Any improvement, however, will have to come from an increase in exports of capital equipment, parts for assembling and raw materials for industry, and engineering services. Prospects for the sale of consumer goods, even with Venezuela enjoying a vigorous growth, are limited by the Government's policy of protecting domestic industries.

Canadian exports to Venezuela during 1968 covered a wide range of products (over 340 separate categories) from small consumer goods to major pieces of industrial equipment and bulk shipments of raw materials. Perhaps the following rundown, mixing current statistics with a bit of forecasting, will provide a rough guide to market possibilities for Canadian goods. In each sector, DBS export figures for eleven months of 1968 are shown in brackets and the breakdown by groups is based on the new Commodity Branch responsibilities in the Department of Industry, Trade and Commerce in Ottawa.

Aerospace and Marine Products ($257,000)—Sales last year were almost evenly divided between aircraft parts and marine products. Canadian exporters should take another look at supplying STOL aircraft (most useful in this mountainous, jungle-covered country). There are certainly opportunities to increase the sale of aircraft parts; sales of non-military aircraft parts from the United States amount to over U.S. $3.5 million a year.

Agriculture, Fisheries and Food Products ($11,436,000)—Canadian sales in this category declined 20 per cent last year, mainly in milk powder and wheat which accounted for $7.5 million of the total. Seed potatoes, oats, rye, malt, canned salmon and cereal products are the other big sellers and the general buoyancy of the economy should mean an increase in these and other food products during the next few years.

Apparel and Textiles ($502,000)—The two major items making up the bulk of Canadian textile sales to this market are papermakers' felts ($311,000) and oilcloth ($128,000). Fur coats ($10,000) were the largest single item of wearing apparel exported to Venezuela from Canada. Sales of all other garments and textiles are negligible because of the high duties and import licensing protection given to the well-developed local textile industry.

Chemicals ($5,306,000)—There are excellent opportunities because of the steady growth of Venezuelan industry to increase sales of a whole range of Canadian chemicals. During the past year, the two major items were organic acids, anhydrides and derivatives ($1,115,000) and plastic and synthetic rubber ($2,584,000). An offer of more competitive prices for both butyl and tread rubbers from the United States has led to the cancellation of some major contracts for Canada in the synthetic rubber field in 1969. Other products such as plastic film and sheet ($541,000), pharmaceuticals and medicines ($265,000), phenols and derivatives ($108,000) are important exports. However, other chemical products could also be sold here if Canadians are prepared to call on the trade and offer prices competitive with those of U.S. and European manufacturers.

Electrical and Electronic Products ($4,237,000)—Here is a field where more direct sales promotion work by

Industrial development going ahead in the Ciudad Guyana region includes this aluminum plant in Matanzas, opened in 1967, with an initial capacity of 10,000 tons.

Canadian firms could bring increased sales. Venezuela imports tens of millions of dollars worth annually of this type of equipment from all over the world and hence there are unlimited opportunities for Canadian manufacturers of such goods. The following are some of the major items from Canada sold here in 1968 (in Cdn.$ thousand): turbines and parts 158, communications equipment 135, electronic tubes and parts 303, circuit breakers and parts 132, switchgear and protective equipment 172, computers and office machinery 1,600, laundry equipment 804.

Machinery ($1,088,000)—Again, as in the previous category, there is no apparent reason why more Canadian machinery and parts cannot be sold in Venezuela. In fact, this was the main field recommended to the Canadian Ministerial Mission by local officials last fall when they were asked for leads on how to increase Canadian exports to this country. A number of major airport, mining and industrial projects are coming up in the near future and will require large amounts of capital equipment. Thus our exports in the future should go well beyond the relatively restricted scope of the items shown below for 1968 (in Cdn.$ thousand): valves and pipe fittings 146, power boilers and parts 157, contractors' equipment 148, pulp and paper machinery 141.

Materials ($9,077,000)—Practically all the major raw materials which Canada exports are now being sold here (e.g., asbestos, aluminum, copper, zinc, etc.) and Canadian exporters are making inroads into the market for semi-finished goods as well. During 1968, for example, tinplate sales alone amounted to over $4 million. As industry expands in Venezuela, there will be an ever-increasing demand for these and other industrial materials.

Mechanical Transport ($51,750,000) —Here is the key to the tremendous sales volume Canada enjoys in Venezuela: over $50 million (or 53 per cent of all Canadian sales) is made up of car and truck assembly parts. These are supplied to the local plants of major U.S. car manufacturers from their subsidiaries in Canada. The main threat to our imports in this field is the policy of the Venezuelan Government in insisting on an annual increase in the local content in vehicles produced in the country.

Type of Vehicle	*End of 1968*	*Jan.-June 1969*	*July-Dec. 1969*
	(per cent of local content)		
Cars and station wagons	35.5	36.0	38.5
Commercial vehicles			
up to 4,000 kg.	36.0	37.0	39.0
over 4,000 kg.	26.0	27.0	27.5
Bus chassis	21.0	21.5	22.0

In addition, it should be pointed out that Venezuela considers as "national content" any assembly parts which are imported from other LAFTA countries, such as Mexico, Brazil and Colombia. Hence there is strong pressure on local car manufacturers to divert their purchases from Canada to other trading partners of Venezuela. One field which has great possibilities and is not affected by the above regulations is the replacement market. Last year Canada sold almost one million dollars worth of auto parts and accessories and this figure could be increased if Canadian salesmen made more calls on local distributors—and carried sharp pencils.

Wood Products ($9,450,000)—Wood pulp ($2.9 million) and newsprint ($5.3 million) are the big sellers in this field. These sales will undoubtedly rise steadily, following the rise in industrial output, the standard of living and the literacy rate. The only imports of consumer goods from Canada in this field are writing and other fine papers ($715,000) and wallpaper ($108,000), although efforts are now being made to introduce other specialty paper products.

Looking Ahead

Both 1969 and 1970 will be key years for Canadian businessmen to visit Venezuela and try to sell their goods and services (especially in those categories where there are obvious business opportunities) for the following reasons:

1. The Ministerial Mission from Canada which visited Venezuela last October opened many doors. For some time the Venezuelan officials and leading businessmen have been aware that Canada is the country's second best customer (Canadian imports from Venezuela totalled $276.3 million in 1967, three times the value of Canadian sales to Venezuela). This imbalance of trade was highlighted by our Ministers, who expressed the hope that Venezuela would buy more Canadian goods in the future.

2. Venezuela will be making heavy investments in capital projects during the next five years (highways, harbors, airports, the Caracas subway, power plants, transmission lines, and a wide range of industrial plants in chemicals, pulp and paper, etc.) Canadian businessmen should therefore visit Venezuela while these projects are still in the planning stage and definite commitments for equipment have not yet been made.

We in the Caracas office hope that many more Canadian businessmen will come here during 1969-70 and make an on-the-spot study of the possibilities for selling their goods and services. This should be done with the intention of making outright sales of goods and investigating the possibilities of joint ventures in the consumer goods field where Canadian semi-finished products could be used.

International Loans Announced

Roads in West Pakistan—The World Bank has announced a loan of $35 million for the construction of two highways from Lahore to Lyallapur and from Lahore across the Chenab River to Sargodha, studies with a view to future construction, a three-year maintenance program (including the purchase of equipment and spare parts), a transport co-ordination study for West Pakistan, and consultants' services for reorganization of the Highway Department and training of staff. Feasibility studies and detailed engineering designs will be done for sections of tbe National Highway between Karacbi and Lahore. A feasibility study will be done on the trunk road between Lahore and Rawalpindi. The Central Government will undertake the transport co-ordination study, tbe Highway Department of West Pakistan will be responsible for tbe otbers, and both will use consultants. The entire project is expected to cost $75 million and be completed by 1971.

Argentina has made progress in controlling inflation and now offers a market for a widening range of Canadian products. Major projects are getting under way.

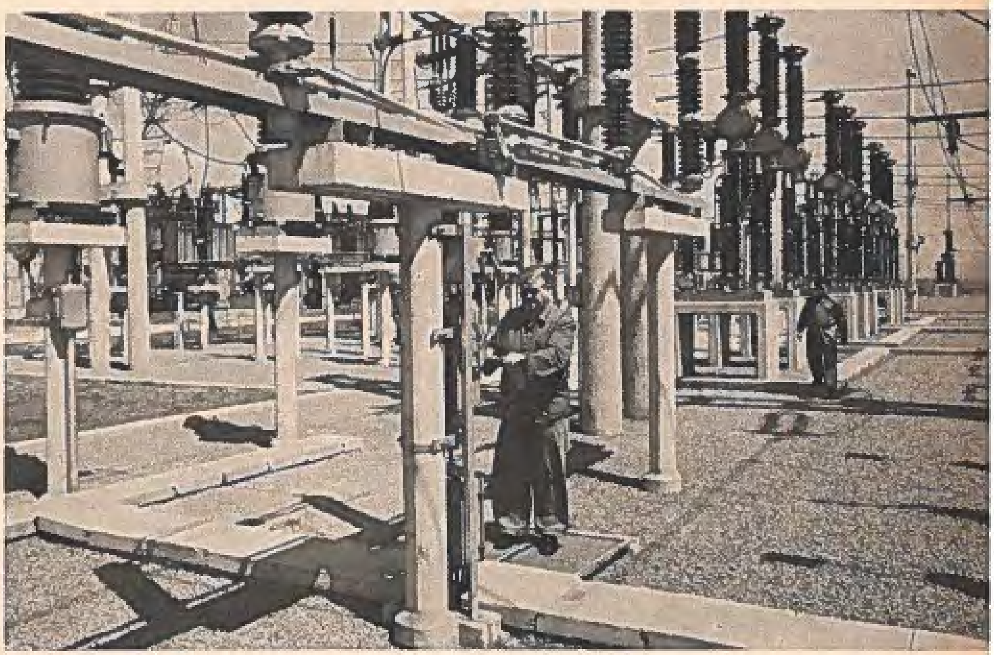
L. D. BURKE
Commercial Counsellor
Buenos Aires

■ The year 1968 was one of adjustment for Argentina from an economy of inflation to one of near stability. In this period of transformation, some business sectors did not fare as well as others and certain industries experienced some recession. The economy as a whole, however, came through surprisingly well and made progress in many areas. If the Government during the current year continues with its present economic program (and there is every indication that it is determined to do so) and is able to achieve some of its 1969 objectives, Argentina may have finally created the conditions for the long-desired economic "take-off". In this setting of stability and improving business conditions, Canadian exports to Argentina rose sharply in 1968. A further significant increase is expected this year.

One of the outstanding features of 1968 was that the Argentine Government achieved most of what it set out to do. Inflation was finally checked, if not brought under actual control. In 1967 the cost of living rose 27.4 per cent; in 1968 only 9.6 per cent. This was achieved by strict wage control—wages were, for all practical purposes, frozen throughout 1968—and by a voluntary agreement by a majority of industrial firms to absorb cost increases and not to pass them on to their customers, which indicates the support the business community is giving to the Government's present economic policies. In 1968, Argentina was able to increase its reserves substantially to approximately U.S.$1,000 million (including standby credits), the equivalent of nine or ten months of normal imports, and the federal budget deficit was cut in half.

The progress made in monetary stability was immediately reflected in the increasing confidence of investors both at home and abroad. A strong local market for government bonds developed and the authorities for the first time in many years found it possible to float Argentine bond issues abroad; U.S.$75 million worth of Argentine securities were sold in Germany and the United States. There was also an influx of private foreign capital. This at times worried the authorities (a new bank law was passed recently that may have the effect of limiting the scope for expansion of foreign banks operating here), but it has helped in the expansion and modernization of Argentine industry. One of the best examples of this is petroleum exploration. There are now 16 foreign firms searching for oil in Argentina after exclusion from the country for a number of years. They are committed to spend U.S.$60 million in the next two to three years and will invest even larger amounts if their prospecting proves promising. The performance of the Argentine peso is also worth noting.

The long-planned hydroelectric, flood control and irrigation system in the southern provinces is at last getting under way, with financing hy a World Bank loan and credits from potential supplying countries (includlng Canada). The El Chocon-Cerros Colorados project will produce 1.65 million kw. of power to he transported over a 700-mile, U.S. $100-million transmission line to Buenos Aires. The station shown here is part of the coastal electricity network along the Parana River.



It remained at 320 pesos to the Canadian dollar throughout 1968 and has been stable at this rate for nearly two years. During 1968 gross national product, however, rose by only 4.6 per cent which was less than expected. Industry in general performed well but agricultural production was down.

Program for 1969

The Government has termed 1969 the "year of stability". The goal is expanded economic growth and consolidation of the stability achieved since the Ongania Government came to power and, particularly, consolidation of the progress made during the past 18 months. This year's budget (set at U.S.$2,914 million) has therefore been designed to reduce current expenditures and increase capital expenditures while maintaining total outlay slightly higher than in 1969. Public investment will rise fairly substantially. An ambitious public investment program has been authorized amounting to over U.S.$1,000 million.

The Government's intention is to reduce the budget deficit once again this year by 11 per cent. Early in January it ordered an over-all 8 per cent increase in salaries for the year but beyond that the freeze on salaries and wages is to continue, at least for the rest of this year. Some 3,500 firms so far have again signed an agreement with Government to absorb the part of the wage increase directly related to their costs and to hold the line on prices. The cost of public services is to be kept at present levels. As a consequence of these moves, prices this year are not expected to increase by more than 4 to 5 per cent. If this forecast comes true, Argentina will finally be out of the inflationary spiral which has distorted the economy for so many years. The prediction is also for a 6 to 7 per cent increase in GNP. The peso is expected to remain strong at or near its present rate throughout 1969.

There are two problem areas. One is reducing the spending in the public sector still more, both through rationalization and reducing the deficits of the State corporations. The railways, for example, had a deficit in 1968 of over U.S.$200 million. The second is that, even though Argentina traditionally has a surplus in its commodity trade, it is still overly dependent on exports of agricultural products which are subject to the uncertainties of weather and price fluctuations in international markets. It is therefore anxious to diversify and expand export sales. Continued economic progress here depends, naturally, on political and social stability being maintained.

WHAT CANADA EXPORTS TO ARGENTINA

	1967	(11 mos) 1968
	(Cdn.$'000)	
Newsprint	6,400	8,600
Automotive parts	6,200	8,000
Sheet and strip steel	5,100	6,000
Aluminum ingots, billets	5,100	4,200
Wood pulp	2,300	2,400
Construction and maintenance equipment	1,700	2,000
Asbestos fibers	1,400	1,400
Aircraft engines and parts	500	290
Card punching and sorting machines	475	150
Nickel anodes, ingots	435	476
Important new products		
Aircraft	....	2,000
Steel slabs, blooms	....	1,400
Aircraft assemblies and equipment	....	500
Others	3,500	5,000
Total	**33,000**	**42,000**

Canadian exports for the year 1968 totalled Cdn.$48 million.

Foreign Trade

Argentine exports in 1968 totalled U.S.$1,352 million compared with U.S.$1,440 million in 1967. The authorities expected a higher figure but there were a number of serious problems about certain exports, especially meat, cereals and oilseeds. The outbreak of foot-and-mouth disease in Britain and the subsequent ban on imports into the country had an adverse effect on Argentine sales of meat to that market. Unfavourable weather substantially reduced the corn crop and production of oilseeds was also smaller than in the previous year.

There were some bright spots. Argentina has been gradually increasing its foreign sales of fruit (fresh, canned and dried) and these were up again last year. Moreover, efforts to expand exports of non-traditional items, mainly manufactured goods, are starting to pay dividends. Last year these exports rose by nearly 100 per cent to a figure of U.S.$177 million.

WHAT ARGENTINA EXPORTS TO CANADA

	1967	(11 mos) 1968
	(Cdn.$'000)	
Traditional products		
Canned corned beef	2,700	2,100
Quebracho extract	400	400
Cheese	200	150
Wool	200	200
Card punching and sorting machines	200	350
Honey	200	100
Fuel oil	200	800
New products		
Fresh pears	....	150
Fur skins	....	100
Others	1,000	750
Total	**5,100**	**5,100**

Exports to Canada for the year 1968 are expected to reach Cdn. $5.5 million.

In 1968, Argentina's total imports were valued at U.S.$1,063 million. As economic activity picked up, imports increased. The largest increases were in imports of machinery and transportation equipment and parts, which rose from U.S.$366 million to U.S.-$422 million; in metals, which rose from U.S.$108 million to U.S. $121 million, including such items as tinplate and aluminum ingots, and in raw materials for the chemical and pharmaceutical industries. With exports at U.S. $1,352 million and imports at U.S.$1,063 million, the country had a favorable trade balance of U.S.$289 million.

Imports this year are expected to rise by between 10 and 15 per cent and to reach over U.S.$1,200 million. The export forecast is for total sales of U.S.$1,500 million. However, Argentina has already encountered a serious problem in wheat, one of its chief exports. The original estimate for the current crop, now almost all harvested, was 8.2 million tons; this has now been reduced to less than 6 million tons and quality is also down. There are some carryover stocks, but the effect of the small crop on export earnings will certainly be felt. There are, however, hopes for increased sales this year of corn, grain sorghums, fruit and manufactured goods. The outlook for meat sales has steadily improved. Prospects appear more promising in Britain and new markets have been found in Japan and, in the near future possibly in Canada too, for cooked frozen beef.

El Chocon Project

Any review of current economic development in Argentina would be incomplete without some reference to the El Chocon-Cerros Colorados hydroelectric and irrigation project in the southern Provinces of Rio Negro and Neuquen. For over 30 years, there has been considerable interest in Argentina in developing a flood control, irrigation and hydroelectric system in this area. The cost always put it out of reach until the middle of January this year when the project at last got under way. Total outlay is expected to be U.S.$470 million and this will be the largest single project ever undertaken in Argentina. Financing is to be provided by a World Bank loan of U.S.-$82 million, credits from potential supplying countries (including Canada), and a special domestic tax levied on electricity and fuels. In the electricity phase of the project, El Chocon will produce 1,650,000 kw. of power which will be transported over a 700-mile U.S.$100-million transmission line to Buenos Aires. A tender for this transmission line, which will be awarded in three sections, has been called and will close shortly. A Canadian consortium intends to submit an offer. Besides power, El Chocon is designed to provide eventually irrigation for up to a million acres. It has been called the "Tennessee Valley Authority" of Argentina.

Canadian-Argentine Trade

In 1968, Argentine's exports to Canada of approximately Cdn.$5.5 million (see table opposite) remained about the same as in 1967.

Canada's sales to Argentina last year rose by 45 per cent—from $33 million in 1967 to approximately Cdn.$48 million. Our exports are concentrated in relatively few lines but there has been a gradual diversification as the accompanying table shows.

In considering the future trade opportunities in Argentina, we must bear in mind that the Argentine economy is very domestically oriented. Years of import licences, exchange controls and similar measures have contributed to this state of affairs. As a result, the level of the country's imports, although rising, is low. Tariffs remain relatively high, especially on consumer goods. Our trade, therefore, will continue to be based mainly on the sale of industrial materials and equipment. From this base we expect to expand gradually into the sale of the services and machinery needed in the program for the rehabilitation and expansion of infrastructure (telephone system, railways, roads, ports, etc.). We hope also to be successful in getting business on some of the very large projects that are coming up this year—the El Chocon transmission line, the new subway line, the airport construction program and Argentina's proposed second nuclear power plant.

For the most part, Canadian companies are just beginning to rediscover the Argentine market after years of import restrictions. Evidence of this is the number of Canadian businessmen and trade missions that visited Argentina last year. The recent Ministerial Mission also helped to fix attention on this area. The net result of this growing interest and the improving conditions in Argentina will be, we feel, a significant increase in Canadian exports to Argentina again in 1969.

Trainees to Influence Trade

Forty-three of them arrived in Canada between April 1967 and February 1969. Some came from places as near as Bermuda and others from as far away as Australia, Chile, and Korea. All had one thing in common: they were employed by industry in their own countries and they came to Canada to spend up to three months obtaining technical and scientific training in a specific industrial plant.

In instituting this export-oriented training program late in 1966, the Department of Trade and Commerce had in mind the long-term promotion of Canadian export trade. The plan was a simple one: to bring to Canada foreign technical personnel and give them the opportunity of becoming acquainted with Canadian products and technical capabilities by actually working with a Canadian firm. (Management, salesmanship and similar types of training were excluded.) It was laid down that the trainee must be in a position in his own organization to influence purchasing decisions (and, hopefully, direct orders to Canada).

The cost of this program is shared. The Department pays the trainee's economy air fare to and from Canada by the most direct route. His employer normally continues to pay his salary during his absence, and the host company here provides an allowance to offset Canadian living costs. Each party to the arrangement benefits. The Canadian host makes its skills and its products known and both it and the Department hope for future sales as a result. The trainee increases his technical knowledge and broadens his horizons so that both he and his employer stand to gain.

Naturally, a trainee under this program is chosen with care, following certain definite criteria. Broadly speaking, these are:

1. He must be employed by a potential customer or by a person in a position to influence sales. He must not be on the payroll of the Canadian company with which he will work.
2. He must have sufficient standing in his job to be able currently or in the future to influence his organization's choice of suppliers.
3. He must come here for scientific or technical training and this must last for a minimum of two weeks. Some of the trainees have spent several months in Canada.

The Canadian firm which would like to bring in a trainee can obtain an application form from the Trade Fairs and Missions Branch of the Department of Industry, Trade and Commerce. Applications from trade associations are also accepted. This application, to be returned in duplicate to the Department, has space for the company to outline its present business relationship with the trainee's employer and to state how the proposed training program would, in its opinion, help to expand its sales. Details of the training program proposed must be given.

The Canadian companies that have so far participated in this training program constitute an interesting cross section of industry. Included are asbestos processors, poultry breeders, raisers of livestock, iron and steel companies, and manufacturers of heating and air conditioning equipment, stainless steel equipment, flooring cements and paints, die-casting machines, telecommunications equipment, and a number of other products.

If your firm is interested in sharing in this program, simply write to the Director, Trade Fairs and Missions Branch, Trade and Commerce Building, Ottawa, Ontario, and ask for an application form. The Branch will also be glad to answer questions about the program and to tell you how it works out in practice.

Paraguay is a small market but better communications will encourage development. Canadians can find some opportunities, particularly for agricultural supplies.

S. E. KIDD, *Assistant Commercial Secretary (Agriculture), Buenos Aires*

■ The political situation in Paraguay appears stable. Economic conditions are slowly improving, although chronic trade and budgetary deficits make necessary substantial external financing, both public and private.

The exchange rate has been maintained at 126 guaranies to the U.S. dollar for some years with the help of IMF standby credits (U.S.$7.5 million in 1969) but the question of devaluation may have to be considered.

Government spending in 1969 will be held at about the 1968 level of slightly more than Cdn.$80 million, about 17 per cent of GNP, but this may still exceed revenue. A sales tax of 3 per cent on domestic goods, 5 per cent on some imported goods and 10 per cent on luxury imports came into effect on February 1st and will help to boost revenue and hold imports in line. Further tax reform measures are needed and a general overhaul of the country's complicated tax structure is contemplated.

Paraguay has a population of just over two million and relies heavily on exports, largely meat and lumber. Exports have tended to stagnate, however, causing the adverse trade balance to grow each year. To a considerable extent foreign investment and tourism, which is now beginning to develop, are able to offset this but servicing the external debt is nevertheless becoming burdensome.

For most imports a prior deposit of 100 per cent of the f.o.b. value is required and this is held for 180 days. Import licences are not required. Specific duties on imports are supplemented by an additional tax of 13 per cent, a sales tax of either 5 per cent or 10 per cent and a foreign exchange surcharge of 32 per cent, all based on the c.i.f value. (Some exports from Paraguay are also subject to taxes of from 2.5 to 7.5 per cent of the f.o.b. value.)

Private foreign investment is encouraged but, apart from tourism and agriculture, opportunities are limited. Nevertheless, U.S., Japanese and European companies are all furnishing increasing amounts of capital.

Better Roads, New Industries

The Paraguay River is still the country's most important transportation link but navigation is often interrupted when the river level falls. Paraguay now has free port facilities at Paranagua on the Brazilian coast and only 40 kilometers of the Asuncion to Paranagua road still remain to be paved. Canadian firms interested in the Paraguayan market should consider the possibility of shipping via Paranagua.

A Canadian firm is conducting a feasibility study on the improvement of the Trans-Chaco highway from Asuncion, the capital of Paraguay, to Filadelfia in the Chaco, including a bridge over the Paraguay River. The same firm is studying a highway route from Concepcion to the Brazilian border and a ring road around Asuncion (see *Foreign Trade*, December 7, 1968 issue, page 17). These studies are financed through IADB with a Canadian loan of Cdn.$800,000 and will be completed in April.

The Acaray hydroelectric project (partly financed by IADB) was officially opened last December. The first stage increases Paraguay's generating capacity from 40,000 kw. to 45,000 kw. It is planned to increase the capacity to 135,000 kw. and export power to Argentina and Brazil.

IADB recently announced a U.S. $8.3 million loan to Paraguay to improve water, sewage and storm drain systems in Asuncion. This would contribute to better health and would stimulate general development. (The loan is from the Fund for Special Operations which is not normally open to Canadian procurement.) A new cement plant capable of supplying the 100,000 tons a year which the Paraguayan construction industry needs will start operating in 1969. Other new industries include a flour mill with a capacity of 2,500 tons per month and a vegetable oil processing plant.

This woman works for a pharmaceutical company which received IADB credits.

Modernizing Agriculture

Livestock and meat are the country's main foreign exchange earners. Imports of almost 100,000 tons of wheat a year are the largest item on the other side of the trade ledger and the Government has embarked on a major program aimed at making Paraguay self-sufficient in wheat. This season's wheat harvest was estimated at over 20,000 tons compared with 7,000 tons in 1967. It is hoped that next year's crop will approach 50,000 tons and soybeans are to be grown in rotation with wheat. The Government grants very liberal credits to wheat producers with the help of U.S. AID funds to help finance all phases of their operations. Several international firms are also supplying farm machinery and equipment on very favorable credit terms under this program.

Agriculture and forestry employ more than half the labor force and although more financial and technical assistance is being provided, much of the industry is at the subsistence level. The main crops are manioc, corn, sugarcane, tobacco, cotton, coffee, vegetable oils and wheat. The export sector of the industry is faring badly; the markets for cocoa and tung oils, quebracho extract (tannin) and sugarcane are depressed and the cotton, tobacco and coffee crops all suffered from drought.

Natural grasslands support almost 6 million head of cattle which provide about one-third of export earnings. Breeding stock is occasionally imported, mainly from Argentina. Livestock and meat exports in 1968 were considerably lower than in 1967 because of the depressed world market. IBRD is carrying out a major program to increase beef production in Paraguay through the provision of credit to ranchers for basic improvements (fencing, corrals and watering facilities).

Hardwood timber comes after livestock and meat products as an earner of foreign exchange. Exports have been mainly in the form of logs but legislation has been enacted to reduce log exports 20 per cent a year over the next five years so as to stimulate production of processed and semi-processed forest products.

The Paraguayan market is small and the income per caput is low but there are good prospects for a number of Canadian exports, particularly chemicals, pulp and paper and products, metals and metal products, surgical, optical and dental items, and pharmaceuticals. There are also opportunities to sell agricultural engineering services, breedingstock, veterinary products and seeds. Canada's share of Paraguay's imports has been small; the United States, Argentina and West Germany are the country's major trading partners.

To do business in Paraguay you need the help of an active agent. There are many aggressive companies in Paraguay interested in representing Canadian suppliers. The Canadian Embassy in Buenos Aires would be pleased to advise Canadian companies on the prospects for their products and to assist them in locating a suitable representative.

Uruguay has taken measures to check inflation and the rising cost of living. Good harvests, foreign loans and redeployment of labor will help the economy.

H. H. KNOBLOCH
Commercial Assistant, Montevideo

■ The Uruguayan economy made some progress in 1968 in recovering from the balance-of-payments difficulties of former years. According to a provisional estimate put out by the Uruguayan Official Bank, exports in 1968 were U.S.$165 million (1967 U.S.$150 million), imports U.S.$145 million (U.S.$169.6 million), and the surplus on visible trade U.S.$20 million (deficit of U.S.$19.6 million).

As other countries, Uruguay has to contend with student and labor unrest. Because it is relatively small and its economy is limited, uncertainties caused by student demonstrations and strikes are felt sharply and quickly.

Devaluation and other measures put into operation in 1967 to achieve monetary stability have proved ineffective. The Government was forced to devalue the peso again in April 1968, bringing the rate to 250 pesos to the U.S. dollar. In a further effort to slow down the rising cost of living and inflation (136 per cent in 1967 and 63.7 per cent in the first six months of 1968) the Government last June issued a decree freezing salaries and prices. This proved to be most effective; the year ended with a total cost-of-living increase of 66.3 per cent—a rise of only 3 per cent in the last six months of the year. The Government's target for 1969 is to limit the increase in prices to between 20 and 30 per cent.

Wheot, Wool and Meot

Weather in the first half of 1968 was poor but an exceptionally mild winter benefitted agriculture in general and particularly livestock. Uruguay's agricultural production provides more than 80 per cent of its export income. Hopes of a record wheat crop unfortunately did not materialize because of heavy rains during harvesting and a lower average yield than was expected. The crop should satisfy local needs and permit the return of 30,000 tons borrowed from Argentina. It is doubtful whether Uruguay will be able to meet its contract to export up to 150,000 tons this year to Brazil.

The clip for the new wool year which started October 1, 1968, is expected to be about the same as last year. Although prices at local auctions have gone down slightly and those in world markets have apparently declined as well, there are still many orders for Uruguayan wool and exports so far have moved steadily.

The mild winter means an abundance of well-prepared cattle. The export prospects, however, are somewhat vague because Uruguay has only two steady markets at present, Britain and Spain. The Government is doing everything possible to develop new outlets. Uruguay still has the problem of foot-and-mouth disease; although vaccination of all animals is now compulsory, it will be some time before the disease is completely eradicated.

Problems and Prospects

The control of inflation is very important but there are two other basic problems which must be solved. Employment by the State has been steadily increasing and now some 30 per cent of the economically active population are on the Government's payroll. Secondly, Uruguay has a very advanced welfare system but it has become overloaded.

The Government has ordered the National Planning Office to study ways of reducing the bureaucracy and creating new activities which could absorb the labor displaced. It has offered tax incentives to encourage the establishment of new industries and to improve productivity of existing ones. A scheme has been set up to promote non-traditional exports. Parliament at the end of 1968 ratified the National Housing Law which was designed to stimulate the long dormant construction industry and should make a useful contribution to the reduction of unemployment.

Tourism is one of the country's major sources of income. In the summer period 1968/69 (December to March) it is expected to reach an all-time record. For the last few years, tourism has contributed about U.S.-$45 million a year in revenue.

Loans and Trade Agreements

During 1968 trade missions from several countries visited Uruguay and signed trade agreements which included substantial loans and credits. The agreements with Bulgaria, Hungary, Rumania and Israel still await ratification by the Uruguayan Parliament. A trade agreement was also reached with the Soviet Union which will grant Uruguay a long-term credit of U.S.$20 million at a low rate of interest. The U.S.S.R. will supply machinery and equipment; in return, Uruguay will export to the Soviet Union traditional items and a fixed quantity of manufactured goods such as textiles and shoes. Signing the agreement was scheduled to take place in Moscow early in 1969.

In 1968 the Uruguayan Government was successful in renegotiating the country's short-term debt for the year of some U.S.$60 million, rescheduling payment over a five-year period. It also obtained a number of new credits, one of which was U.S.-$25 million standby credit from the IMF.

Other loans were U.S.$20 million under the Alliance for Progress program to assist with importing fertilizers and developing agriculture, U.S.-$5 million from the Bank of Nova Scotia and new credits from U.S. banks totaling U.S.$25 million.

IADB announced a loan of 35 million guilders (Cdn.$10.5 million) to modernize and extend the port and installations at Montevideo. At the same time, the Netherlands offered a 15-year loan of 11.7 million guilders (Cdn.$3.5 million) for improvement to the harbor there. A suction dredger manufactured in the Netherlands for this project will deepen the 70-kilometer navigation channel from the port to the sea.

Uruguay has signed an agreement with Spain for the purchase of a 30,000 ton tanker which is within the framework of the existing agreement between the two countries. The tanker is valued at U.S.$6 million and will be paid for over eleven years; for its part, Spain will buy meat and other products from Uruguay.

What Canada Can Sell

The present economic situation in Uruguay still limits our trade opportunities mainly to traditional items such as newsprint, wood pulp, aluminum ingots, seed potatoes, asbestos fibers, tinplate, plastics and synthetic rubber. Financing is one of the most important considerations.

Canadian trade opportunities in Uruguay are still limited to traditional items, such as seed potatoes. The young lady poses on a shipment of 90,000 bags from New Brunswick after their arrival in the port of Montevideo before planting time.

If You Need to Know More

This list of source material has been compiled by the Industry, Trade and Commerce library staff. The Department regrets that it cannot undertake to supply copies of any of these publications.

Books, Pamphlets, Documents

British National Export Council. New Markets in Latin America. London, 1968. 42 p.
Price: Free
Order from: BNEC, 6-14 Dean Farrar St., London, S.W.1, England

Gannon, T. A., editor. Doing Business in Latin America. New York, American Management Association, 1968. 127 p.
Price: Free to AMA members of Int. Management Division; other AMA members $3.00; nonmembers $4.50.
Order from: American Management Association, Inc., 630 Dorchester St. W., Montreal, Quebec

Hints to Business Men Visiting . . . Series issued by the British Board of Trade. Reports are available on Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela.
Price: Free
Order from: Offices of the British Information Services in Canada

Industrial Development. Reprints from the issues for June 1966, September 1966 and January 1967 are available on: Industrial Sites in Latin America, Checklist of Industrial Data on Latin American Countries, and Latin American Incentives for Industry.
Price: Free
Order from: Conway Research Inc., 2600 Apple Valley Road, Atlanta, Georgia 30319

Information Guide for Doing Business In . . Individual reports are available on Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela.
Price: Free
Order from: Price, Waterhouse & Co., Toronto-Dominion Centre Bank Tower, Toronto, Ontario

May, H. K. Problems and Prospects of the Alliance for Progress; a Critical Examination. New York, Praeger, 1968. 252 p. (Praeger Special Studies in International Economics and Development)
Price: $12.50
Order from: Burns & MacEachern Ltd., 62 Railside Road, Don Mills, Ontario

Ministerial Mission to Latin America, October 27-November 27, 1968. Preliminary Report. Ottawa, 1969. 38 p. Mimeo. Also available in French edition.
Price: Free
Order from: Department of Industry, Trade and Commerce or Department of External Affairs, Ottawa 4, Ontario

South American Handbook: an annual traveller's guide to the countries and economies of South America, Central America, Mexico, Caribbean and West Indies. London, Trade and Travel Publications Ltd. Annual.
Price: $7.00 approximately
Order from: Local bookstore. Canadian agent is Thomas Allen & Son Ltd., 50 Prince Andrew Place, Don Mills, Ontario

South America Marketing Guide. New York, 20 p.
Price: Free
Order from: Pan American World Airways, Inc., PAN AM Bldg., 45th St. New York, N.Y. 10017

Statistical Abstract for Latin America. Los Angeles, Latin American Center, University of California. Annual.
Price: $8.00
Order from: Latin American Center, University of California, Los Angeles, Calif. 90024

Tax and Trade Guide Series. Individual reports are available on Argentina, Brazil, Chile, Colombia, Peru, Uruguay, Venezuela.
Price: Free
Order from: Arthur Anderson & Co., Toronto-Dominion Centre Bank Tower, Toronto, Ontario

United States. Dept. of Commerce, Bureau of International Commerce. Semi-annual Checklist of International Business Publications. Washington. A wide range of current business information on countries of South America is published by USDC. Publications of interest can be purchased at a nominal fee.
Price: Checklist free.
Order from: Sales and Distribution Branch, U.S. Department of Commerce, Washington, D.C. 20230

United States. Department of State. Office of Public Affairs. Latin American Growth Trends: Seven Years of the Alliance for Progress. Washington, 1968. 64 p.
Price: Free
Order from: Office of Public Affairs, U.S. Dept. of State, Washington, D.C. 20520

Periodical Articles

Hirschman, A. O. The Political Economy of Import-Substituting Industrialization in Latin America. Quarterly Journal of Economics 82:1-32 Feb. '68.

Odell, P. R. Economic Integration and Spatial Patterns of Economic Development in Latin America. Journal of Common Market Studies 6:267-86 Mar. '68.

Frank, I. The Export Answer: in varying degrees the Latin American countries have all the problems of development but they all merge into a major disappointment with the rate of progress. Columbia Journal of World Business 3:17-22 May-June '68.

Lagos, G. The Political Role of Regional Economic Organizations in Latin America. Journal of Common Market Studies 6:291-309 June '68.

Wahl, T. B. A New Look at American Trade and Investment in Latin America: expert on Latin marketing says many traders are missing "biggest opportunities" in the world. Business Abroad 93:26+ July '68.

Latin Trade Bloc Hits a Crisis: ambitious hopes for turning Latin American Free Trade Association into a full-scale common market are fading; the group may have to settle for more modest goals. Business Week p. 76-8 July 20 '68.

Latin America—Doomed to Trouble? A hard realistic look at Latin America's future is under way—prompted by events in Peru. U.S. News & World Report 65:112-3 Oct. 21 '68.

Latin America Needs $24 Billion Framework for Unified Economic Growth by 1980, ADELA Report Says. Private investment group outlines region's basic needs, points to areas offering vast opportunities for private interests. International Commerce 74:25 Dec. 16 '68.

World Trade Outlook. Special world report by country, provides excellent coverage of South American countries. International Commerce 75:2-68 Jan. 13 '69.

Annual Review of Western Hemisphere's Business and Finance: Economic Survey of the Americas. New York Times 118:49-74 Jan. 20 '69.

Periodicals, Special Services

Bank of London & South America Review. London. Monthly.
Price: Free
Order from: Branch Offices of the Bank of Montreal

Business Latin America. Weekly report to managers of Latin American operations. New York, Business International Corporation
Price: U.S.$180.00
Order from: Business Latin America, 757 3d Avenue, New York, N.Y. 10017

The Economist; Edicion Para America Latina. London. Fortnightly.
Price: £5 16s 6d
Order from: The Economist, Latin American Subscription Dept., 25 St. James's Place, London, SW1, England

The Economist Intelligence Unit. Quarterly economic reviews with annual supplements are available for Argentina, Brazil, Chile, Colombia and Ecuador, Peru and Bolivia, Uruguay and Paraguay, Venezuela. London.
Price: U.S.$28 a year per country (or group of countries); $9 per single copy of any issue of a review or supplement. Airmail $3 extra on annual subscriptions
Order from: The Economist Intelligence Unit, Spencer House, 27 St. James's Place, London S.W.1, England

FCIB Monthly Round Table Conference—Minutes on Foreign Finance, Credit, Collection and Exchange Problems. New York. International in scope with good coverage of South American countries.
Price: $48.00
Order from: Foreign Credit Interchange Bureau, National Association of Credit Management, 44 E. 23d St., New York, N.Y. 10010

Noticias—Weekly Digest of Hemisphere Reports. New York.
Price: On application
Order from: National Foreign Trade Council, Inc., 10 Rockefeller Plaza, New York, N.Y. 10020

Vision Incorporated, New York. Publishes *Vision* (fortnightly in Spanish), and *The Vision Letter* (weekly in English), covering economics, business affairs, politics and culture. An edition called *Visao* (weekly in Portuguese) is published in Brazil.
Price: On application
Order from: Vision Incorporated, 635 Madison Ave., New York, N.Y. 10022

United Nations Publications

Commodity Trade Statistics, Vol. 17, No. 33, presents 1967 exports and imports of Brazil and Colombia, by commodities by countries.
Price: U.S.$1.50 this issue
Order from: Queen's Printer, Ottawa, Ontario

Economic Bulletin for Latin America. Two issues per year.
Price: Single numbers variously priced
Order from: Queen's Printer, Ottawa, Ontario

Economic Survey of Latin America. Annual.
Price: $5.75
Order from: Queen's Printer, Ottawa, Ontario

Statistical Bulletin for Latin America. Two issues per year.
Price: Single numbers variously priced
Order from: Queen's Printer, Ottawa, Ontario

World Trade Annual Supplement. Volume II presents exports and imports of individual South American countries, by commodities by countries.
Price: U.S.$50.00 for Vol. II
Order from: Walker and Company, 10 W. 56th St., New York, N.Y. 10019

Other Sources of Information

A number of international organizations publish reports and economic surveys. Among these are: Inter-American Development Bank, 808 17th Street N-W, Washington D.C. 20577; International Bank for Reconstruction and Development, 1818 H. Street N-W, Washington D.C. 20433; International Monetary Fund, 19th and H Streets N-W, Washington D.C. 20431; International Development Association, 1818 H Street N-W, Washington D.C. 20433; Pan American Union, General Secretariat, Washington D.C. 20006; ADELA, 13 boulevard de la Foire, Case Postale Ville 351, Luxembourg.

Many Latin American countries have embassies in Ottawa and commercial offices in various cities. *Representatives of Other Countries in Canada* lists them (obtainable from Canadian Government bookshops, price 60 cents).

Index to "Foreign Trade"

The index to Volume 130 of Foreign Trade, *July-December 1968, numbers 1 to 13 inclusive, is now available. If you would like a copy, please write to: The Editor,* Foreign Trade, *Industry and Trade Publicity Branch, Department of Industry, Trade and Commerce, Ottawa.*

trade lines

The Soviet Union plans more electric power

The Soviet Union continues to increase its electric power. An additional 10 million kw. were produced in 1968, 12 million kw. are planned for 1969 and 14 million kw. for 1970. Some 80 per cent of this electricity is consumed in the European areas of the U.S.S.R. where a power grid with a capacity of 80 million kw. has been constructed. Some 75 per cent of existing generating capacity is thermal; most of the remainder is hydro. Because the best locations for hydroelectric stations are in Siberia, long-distance power transmission is being developed and a single system joining Siberia to the centers of consumption is in the making. Small atomic power plants are being planned for use in isolated areas—Moscow.

Britain's clothing imports still increasing

British imports of foreign-made clothing are still increasing; some $250 million worth entered Britain in 1968, or 40 per cent over 1967. One of the main factors in this increase is the large buildup of deliveries from Hong Kong. In the first ten months of 1968 Hong Kong shipments were valued at $100 million—London.

Hong Kong offers ships on-the-spot cleaning

Hong Kong now provides on-the-spot cleaning for ships' hulls. This service takes one-third of the time required to do the same job in drydock—Hong Kong.

French and Dutch companies in Belgian aerospace firm

Avions Marcel Dassault, a French company, and Fokker, a Dutch company, will become equal partners in the Belgian firm Société Belge de Constructions Aéronautiques (SABCA). Dassault will purchase $2.4 million of SABCA's equity when its $2.4 million capital is increased to $4.8 million. The SABCA board will be expanded to include two Belgians and three directors each from Dassault and Fokker. The two new partners will provide financial, technical and commercial help. Dassault Belgique Aviation, a subsidiary formed to carry out contracts for the Belgian Government, will also invest in SABCA—Brussels.

French electronic firm expands operations

La Société Electronique Marcel Dassault, a French firm specializing in military electronics for weapons, will expand its operations in the civilian field to include medical electronics, motor traffic and audio-visual equipment. Dassault's business totals some fr.200 million a year—Paris.

Hong Kong installs more telephones

Hong Kong will install some 75,000 new telephones in 1969, bringing the total number of phones to 500,000. This will give the Colony 12 telephones per hundred population, a figure exceeded in East Asia only by Japan, which has 16 telephones per one hundred people—Hong Kong.

Three large paper mills merge in Spain

Three government-controlled Instituto Nacional de Industria (INI) paper mills have merged to form a new company, Empresa Nacional de Celulosas S.A. They include a paper mill in Pontevedra with an annual production of 40,000 tons of unbleached kraft pulp and 40,000 tons of bleached kraft pulp from local timber; a mill in Huelva, 50,000 tons of bleached sulphate from local paper, and one in Motril, 17,000 tons of bleached bagasse pulp and 30,000 tons of other paper. The new company, with a capital of U.S.$16.4 million, will be Spain's major pulp producer—Madrid.

Venezuela lays pipeline through Lake Maracaibo

A pipeline will be laid through the central part of Lake Maracaibo to supply gas to the new El Tablazo petrochemical complex (see *Foreign Trade,* December 7, 1968, page 43). The project is estimated to cost some Cdn.$40 million and will be financed jointly by the Venezuelan Government Oil Co. and Shell. Another shorter pipeline will be laid from Anaco to Puerto Ordaz, the new industrial zone at the south of the Orinoco River, at a cost of some Cdn.$12 million. Piping will be supplied by the Government's steel plant—Caracas.

British footwear exports reach record high

British exports of footwear totalled £26.1 million in 1968, an increase of some 30 per cent over the 1967 figures of £20 million. The United States continues to be Britain's largest customer and bought footwear worth £7.3 million; Canada bought £2.5 million worth, an increase of £583,000 over 1967. Britain's imports increased to £32.8 million in 1968, but Canada's share fell to £78,000 from £91,000 in 1967—London.

Swiss firm builds nuclear reactor

Brown Boveri of Switzerland will build its own "Dragon" system nuclear reactor within the next two years at a cost of some $12.5 million. The firm also plans to set up an industrial research center for some 300 physicists, chemists and engineers—Berne.

Union Carbide Europa builds Swiss coatings plant

Union Carbide Europa S.A. has built Europe's most modern specialized coatings plant in Geneva. The plant will provide wear-resistant coatings for parts used in the aircraft, textile, machine tool, paper, plastics, rubber, wire, electrical and canning industries throughout Europe. It will use unique processes involving detonation guns that fire particles of tungsten carbide at three times the speed of sound, and plasma torches that produce the highest controlled temperature (15,000°C) in industry—Berne.

Jamaica opens second wood processing plant

Wherry Wharf Ltd. of Kingston has opened Jamaica's second lumber processing plant at Newport East under licence to the Osmose Wood Preservation Company. The plant represents an investment of £60,000. Wherry Wharf's total investment at the new deep-water docking complex is some £300,000—Kingston.

Swiss firm builds thermal power plant in Saudi Arabia

Brown Boveri & Co. Ltd. of Baden, Switzerland, has received a Cdn.$5.25 million order from Riyadin Electric Co. to build a complete thermal power plant in Saudi Arabia in the next two years. Three turbines with a combined capacity of 45,000 kw. will be installed. A novel feature is that crude oil can be used as fuel—Berne.

Hitachi picks Switzerland for European sales center

Hitachi, a Japanese electronics firm, will set up a European sales center at Chiasso in Switzerland to market its radios, televisions and tape recorders—Berne.

Wheat products more popular in Venezuela

According to local statistics the consumption of corn-based foods in Venezuela is steadily diminishing and the consumption of bread and other wheat products such as pasta shows a definite upward trend—Caracas.

Spanish iron ore firms to co-operate

Most of Spain's iron ore companies will participate in the Government's Joint Action scheme (Accion Concertada) which aims to raise productivity and rationalize the industry. Annual iron ore production is expected to rise to 13.4 million tons by 1973 (equivalent to 6.3 million tons of iron compared with 2.5 million in 1967). The industry has applied for government credits amounting to U.S.$60.7 million to facilitate mergers—Madrid.

Trade Commissioners on Tour

In Territory

Afghanistan—B. Northgrave, Assistant Commercial Secretary in Islamabad, Pakistan, will visit Kabul March 16-21.

Barbados—K. G. Ramsay, Commercial Counsellor in Port-of-Spain, Trinidad, will visit Barbados during the week of March 24.

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

Burma—D. P. Lindores, Acting Commercial Secretary in Kuala Lumpur, Malaysia, will visit Burma March 24-28.

Central America and Panama—J. S. A. Sotvedt, Assistant Commercial Secretary in Guatemala City, will visit Honduras, Nicaragua and Panama March 17-26.

S. G. Tregaskes, Commercial Counsellor in Guatemala City, will visit Costa Rica March 24-27.

Cyprus—an officer from the Tel Aviv, Israel, office will visit Cyprus every month for at least three days, usually in the second half of the month.

Fiji, Tonga, Western Samoa—R. H. Gayner, Commercial Counsellor in Wellington, New Zealand, will visit these Pacific Islands March 17-24.

French West Indies—K. G. Ramsay, Commercial Counsellor in Port-of-Spain, Trinidad, will visit Martinique and Guadeloupe March 22-28.

Guyana—D. J. McJanet, Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Georgetown March 19-21.

D. Hobson-Garcia, Commercial Officer in Port-of-Spain, Trinidad, will visit Georgetown April 15-17.

Tobago—D. J. McJanet, Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Tobago April 15.

Turkey—Trade Commissioners in the Athens, Greece, office visit Istanbul and Ankara approximately every six weeks.

Windwards—D. Hobson-Garcia, Commercial Officer in Port-of-Spain, Trinidad, will visit St. Vincent, St. Lucia and Grenada March 24-28.

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

Electronic Equipment in Michigan

R. J. ARCHAMBAULT, *Vice Consul and Trade Commissioner, Detroit*

■ New applications are continually being found for electronics. There are already automobiles on the road with voltage regulators and ignition systems which are controlled electronically. Bendix and Kelsey-Hayes have developed electronic skid-control systems which are to go on some 1969 model cars. Speed and proximity to other vehicles as well as air conditioning will be regulated electronically.

The automotive industry is relying more and more on computers for cost and time reduction in tooling new passenger cars. Using computers, only 17 months are required to complete a changeover which normally takes 24 months. Computer graphics may eliminate the need for clay models.

The electronic highway is still a long way off but work on this project has been going on at the GM Technical Center in Warren, Michigan, for a number of years. Engineers are looking to electronics to increase traffic capacity and cut the accident rate. On the new highway, drivers will be free to choose between being chauffeured electronically or steering themselves. This means that cars will have to be equipped with highly dependable electronic devices.

Michigan's highly-skilled labor force, developed mainly by the automotive industry, is attracting electronic firms. Burroughs was the first company to bring large-scale manufacturing of electronic products to Michigan. Ex-Cell-O built a new plant in Walled Lake for its Bryant Computer Products Division, the largest U.S. supplier of magnetic memory drums and disc files for the data processing industry. Control Data Corporation acquired Holley Computer Products in 1964 and moved its operation to Rochester, Michigan; since then it has more than trebled its payroll and is now a major producer of listers, readers and controllers for computer systems.

Here is a description of the six main electronics firms in Michigan:

Bendix Corporation—Has numerous plants and divisions in Michigan. The Aerospace Systems Division at Ann Arbor is concerned with satellites, space probes, lunar vehicle and space communications. The Industrial Controls Division in Detroit assembles point-to-point numerical control positioning systems for machine tools and associated equipment.

Burroughs Corporation—The Plymouth plant produces various types of accounting machines, DE1100 series electronic computing accounting machines, and E2100 series electronic direct accounting computers. At the Tireman plant it makes magnetic ink character recognition systems, financial document sorter-readers, high-speed printers and multiple tape listers, high-speed card punchers and punched card readers.

The Chrysler Corporation—The Defence Space Group, which includes the Chrysler Detroit tank plant and the Missile Division at Warren, concentrates on tank, missile and space systems. The same corporation has recently acquired the automotive operations of King-Seeley Thermos Company at Ann Arbor which makes instrument panels, gauges and speedometer governors.

Ex-Cell-O—In its Bryant Computer Products Division it assembles magnetic memory drums, disc files, associated controls circuitry, and complete memory systems. At its Hamilton, Detroit, plant it manufactures machine and cutting tools with electronic controls.

Lear Siegler Incorporated—The Instrument Division at Grand Rapids is the largest of the company's manufacturing facilities. It works on aircraft flight references, aircraft gyroscopes, missile stable platforms, missile gyroscopes, and armament materials. (Lear Siegler is the only company in this list whose headquarters are not in Micbigan.)

Sparton Corporation—The Electronics Division at Jackson is entirely devoted to defence work and makes sonobuoys for tbe U.S. Government.

Besides these tbere are several smaller but still important firms.

R. C. Allen Business Machines Inc.—in Grand Rapids, makes cash registers, typewriters, aircraft instruments, missile parts.

Applied Dynamics Inc.—in Dexter, makes computers.

Control Data Corporation—Rochester Division makes listers, readers and controllers for computer systems.

Dura Corporation—Dura Business Machines Division in Madison Heights makes commercial business machines and program-reading typewriters.

Heath Company—In St. Joseph, makes electronic kits, stereo, hi-fi, TV and amateur radios.

King Seeley Thermos Company—in Ann Arbor, makes auto parts, instrument panels, gauges and speedometer governors.

Each firm above has its own purchasing department. Their requirements in electronic components cover a wide range and represent a substantial dollar value. Burroughs Corporation, for instance, expects to spend U.S.$56 million in 1969 for the total production line requirements of its Plymouth plant alone. Last year, Bryant Computer Products estimated at U.S.$5 million its purchases of components. The Industrial Controls Division of Bendix Corporation, and the Rochester Division of Control Data Corporation spend $2½ million annually on electronic components. Among the main items they purchase in volume are actuators, printed circuits, resistors, transistors, crystals, switches and relays. (Precision machining and castings are also imported by most of the firms in the list.)

In the electronics industry, purchasing officials are particularly demanding about quality and delivery. However, the Canadian electronic industry has an outstanding record. The Detroit Consulate is ready to help any Canadian manufacturer of electronic components who wants to do business in Michigan. Suggestions on itinerary and introductions to local commission agents are part of the assistance we can provide.

Foreign Exchange Rates

These nominal quotations may help exporters in checking prices, but they should consult their ban before making any firm commitments. When more than one rate is shown, the one to be used depen on the commodity traded. Information on the rate for any specific commodity may be obtained fro the Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa.

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

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

For conversion of colnmn one to tbe U.S. dollar equivalent, *multiply* by .93. To convert column two, *divide* by .93.

Country and Currency	Value of Foreign currency nnit in Canadian dollars	Canadian dollar ln foreign currency unlts
	February 27	
Aigeria		
Dinar	.2174	4.59
Argentina		
Peso (free)	.0031	322.58
Australia		
Dollar	1.202	.8340
Austria		
Schilling	.0416	23.98
Bahamas		
Dollar	1.055	.9506
Belglum and Luxembourg		
Franc	.0214	46.25
Bermnda		
Pound	2.567	.39
Bolivla		
Peso	.0904	10.97
Brazil		
Cruzeiro (official free)	.2749	3.64
Britain		
Pound	2.576	.39
Britisb Honduras		
Dollar	.6293	1.59
Burma		
Kyat	.2260	4.43
Ceylon		
Rupee	.1808	5.54
Cbile		
Escudo (bank rate)	.1339	7.48
(free)	.1185	8.46
Cbina, Repnblic of		
New Taiwan Dollar (official)	.027	37.04
Colombia		
Peso (fixed)	.063	14.95
Congo (Kinshasa)		
Zaire	2.150	.4653
Costa Rica		
Colon	.1621	6.12
Cuba[1]		
Peso	....	....
Czechoslovakia		
Koruna	.1495	6.70
Denmark		
Krone	.1433	6.98
Dominican Republic		
Peso	1.076	.93
Ecuador		
Sucre (official)	0598	16.50
(free)	.0535	18.45
El Salvador		
Colon	.4305	2.35
Fljl		
Pound	1.236	.81
Finland		
Markka	.2563	3.91
France, Monaco, etc.[2]		
Franc	.2174	4.59
Franco-African Republics[3]		
Franc	.0043	235
Frencb Pacific[4]		
Franc	.0120	84.24
Germany		
D Mark	.2676	3.71
Gbana		
New Cedi	1.055	.95
Greece		
Drachma	.0359	27.93
Guatemala		
Quetzal	1.076	.93
Guyana		
Dollar	.5381	1.85
Haiti		
Gourde	.2153	4.65
Honduras		
Lempira	.5381	1.86
Hong Kong		
Dollar	.1776	5.64
Hungary		
Forint (official)	.0921	10.86
Iceland		
Krona (official)	.0122	81.96
India		
Rupee	.1426	7.02

Country and Curreocy	Value of Foreign curreocy unit in Canadlan dollars	Value of Canadian dollar in foreign currency uolts
	February 27	
Indooesia[5]		
Rupiah	....	....
Iran		
Rial	.0142	70.42
Iraq		
Dinar	3.014	.33
Ireland		
Pound	2.576	.39
Israel		
Pound	.3075	3.23
Italy		
Lira	.0017	581.86
Jamaica		
Pound	2.576	.39
Japan		
Yen	.0030	333.33
Keoya		
Shilling	.1526	6.55
Lebanon		
Pound (free)	.3336	3.00
Malaysia		
Dollar	.3516	2.85
Mexico		
Peso	.0861	11.64
Morocco		
Dirham	.2127	4.72
Netherlands		
Florin	.2967	3.37
Netberlands Antilles		
Florin	.5707	1.76
New Zealaod		
Dollar	1.207	.83
Nicaragua		
Cordoba	.1537	6.51
Nigeria		
Pound	2.998	.33
Norway		
Krone	.1506	6.64
Pakistan		
Rupee	.2260	4.43
Paoama		
Balboa	1.076	.93

Country and Curreocy	Value of Foreign curreocy unit in Canadian dollars	Value of Canadian dollar in foreign curreocy units
	February 27	
Paraguay		
Guarani (free)	.0086	116.28
Peru		
Sol (free)	.0246	41.66
Philippines		
Peso (free)	.2748	3.63
Poland		
Zloty (fixed basic rate)	.2690	3.72
Portugal & Colonies[6]		
Escudo	.0374	26.80
Saudi Arabia		
Riyal	.2066	4.84
Sierra Leooe		
Leone	1.507	.66
Siogapore		
Dollar	.3516	2.85
Soutb Africa		
Rand	1.507	.66
Spain & Depeodeocies		
Peseta	.0154	64.25
Sweden		
Krona	.2080	4.81
Switzerland		
Franc	.2494	4.02
Syria		
Pound (free)	.2812	3.55
Thailand		
Baht (free)	.0522	19.19
Trinidad & Tobago[7]		
Dollar	.5392	1.85
Tunisla		
Dinar	2.050	.48
Turkey		
Lira	.1196	8.38
Uoited Arab Republic		
Pound (official)	2.475	.40
United States		
Dollar	1.076	.93
Uruguay		
Peso (free)	.0043	232.55
Veoezuela		
Bolivar (official free)	.2396	4.18
Yugoslavia		
Dinar (official)	.0861	11.64

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

businessman's bookshelf

Export Agents—a Complete Guide to Their Selection and Control

By Colin McMillan and Sydney Paulden. *216 pages* *60/-*

Long experience in international trade is reflected in this practical treatise on the care and feeding of agents. Mr. McMillan now directs the East European Department of the Overseas Marketing Corporation in Britain, and Mr. Paulden has written extensively on international trade and made industrial tours of a number of countries. They have combined their talents and knowhow in this book.

At the outset they make clear that they are using the term "agents" to cover far more than the usual "commission agent". Chapter three sets out 27 different types of agencies, including distributors, stockists, export merchants, combination export managers, and even confirming houses. Most of what follows, however, applies in the main to commission agents and distributors. The reader learns how to select an agent, motivate him, appraise his performance, and back him up effectively. Particularly useful are the chapter on contracts and the one summarizing legislation on agency relationships in twenty different countries. Two special situations are discussed in detail: dealing with the state trading corporations in the centrally planned economies, and the unique functions of Japan's trading companies.

The six appendices include a glossary of export terms, specimen status reports, a code of ethics for manufacturers' agents, and the text of the International Chamber of Commerce "Guide to Drawing Up Contracts between Parties Resident in Different Countries".

Order from: Gower Press Limited, 13 Bloomsbury Square, London, W.C.1, England.

Marketing Overseas

By Henry Deschampneufs *223 pages* *$7.00*

Mr. Deschampneufs practised what he preaches long before he wrote this book—first in an export advertising department and then selling Eno's Fruit Salt in the East. This is one of his assets; the other is that he knows how to convey his knowledge and experience to the reader clearly and logically.

He first discusses the principles of export marketing and then deals with these one by one. The chapter on choosing a market leads on to one on sources of information and research; then distribution, transport and documentation, finance, export production, and promotion are treated.

The section on promotion illustrates his commonsense approach. He stresses careful research before spending on promotion so that the money will be concentrated where the return is likely to be highest. And though he advocates bringing local agencies into the promotion picture, he advises that "the actual handling of a budget should always remain firmly in the hands of the exporter."

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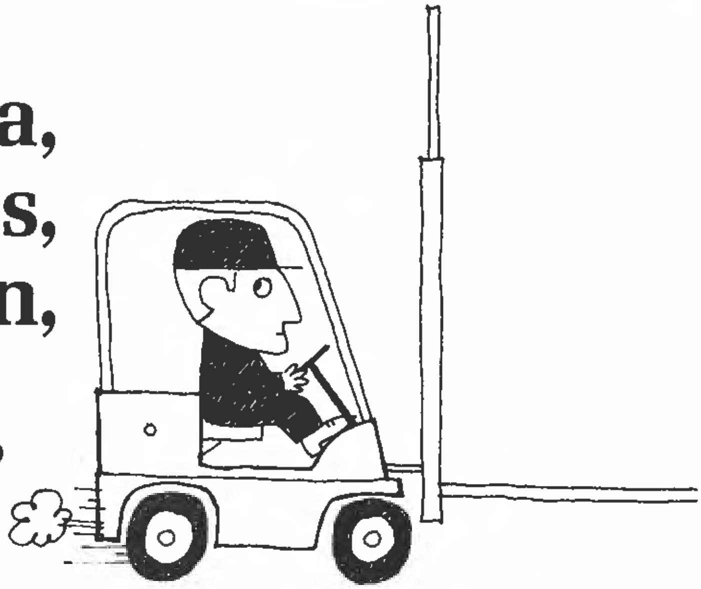

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