foreign trade

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The Latin American Market

Trade figures for 1953 show that Canadian companies actively cultivating this market are reaping results, even in the face of increased European competition.

OTTAWA—The early months of 1953 brought an important development in the strengthening and expansion of Canada's trade ties with Latin America. In January and February a Canadian Goodwill and Trade Mission, headed by the Right Hon. C. D. Howe, Minister of Trade and Commerce, and composed of prominent Canadian businessmen representing national trade organizations, paid official visits to nine Latin American countries.* The prime objective of this Mission was to focus the attention of Canadian business on the rapidly expanding economies of Latin America, and to give Latin American governments and businessmen a greater awareness of Canada as a market and as a source of supply.

This Mission to Latin America was undertaken against an impressive background of expanding postwar Canadian trade with that area. It came also at a time when competition in those countries from European and other suppliers was becoming increasingly active. In reviewing the success of the Mission, Mr. Howe emphasized the importance of these markets and urged Canadian businessmen to increase their share of this trade. He said:

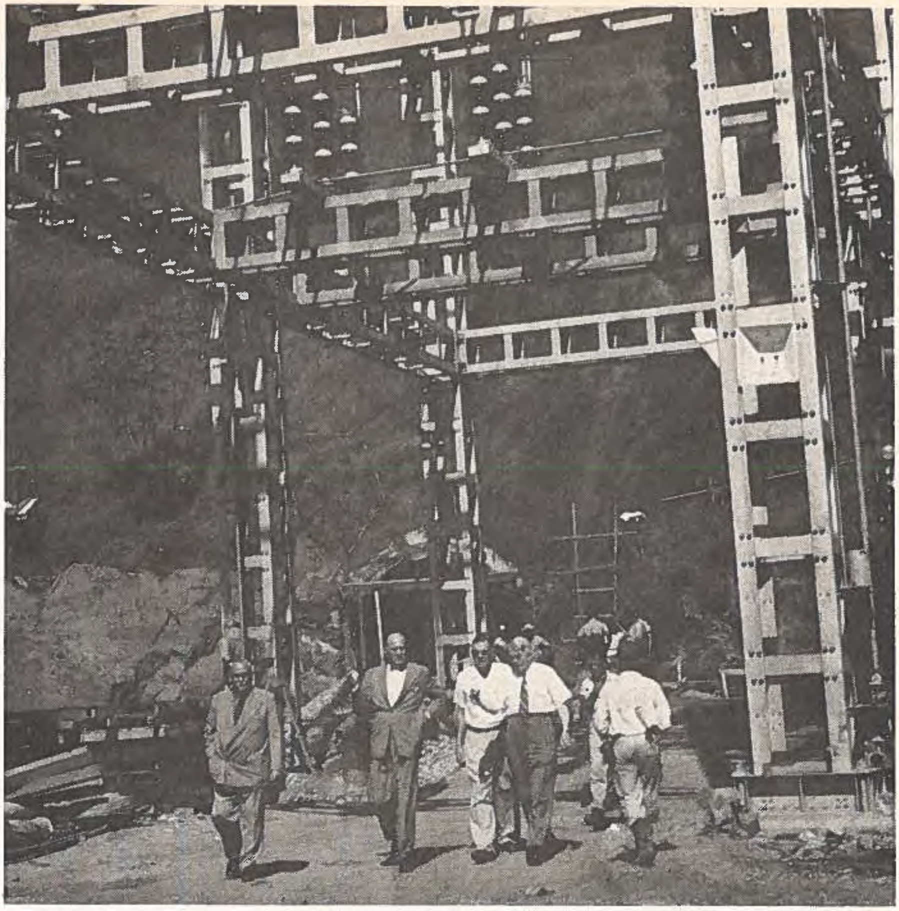
"Latin America is one of the world's major trading areas, selling over $3¼ billion yearly to the United States alone and buying almost $300 million monthly from the U.S.—our nearest competitor. I believe Canada's share of this trade could be greatly increased and our position in these markets further improved. The opportunities are there, and it is up to us to make sure they are grasped and developed.

"This is a job that must primarily be done by Canadian businessmen themselves. There is no substitute for personal, direct, on-the-spot contacts and relations. I would most strongly urge senior Canadian businessmen to go to the countries of Latin America and see for themselves what new fields are open to them."

The 1953 Picture

Canada's trade with Latin America has continued at high levels in recent months. Exports to that area in the first seven months of 1953 totalled $115·7 million and covered a wide range of products, many of

* Countries visited were: Brazil, Argentina, Uruguay, Venezuela, Colombia, Dominican Republic, Haiti, Cuba, Mexico.



Inspection of the Forcacava underground power plant of Brazilian Traction subsidiaries was part of the itinerary of the Canadian Goodwill Trade Mission to Latin America last January. Pictured at the site are (left to right): Rt. Hon. C. D. Howe, who headed the Mission; D. W. Ambridge, president and general manager, Abitibi Power & Paper Co.; John Reed, project manager; and Alex Gray, president, Gray-Bonney Tool Co. Ltd.

which are currently denied access to other markets. This total, though it is lower than that for the comparable period in 1952, is well above any other year.

Trade with Latin America

(in million dollars)

Full year	Seven months			
1938	1950	1951	1952	1953
33	71·4	96·1	169·8	115·7

The drop in Canadian exports compared with last year is due largely to the decline in sales of motor vehicles and parts to Brazil, sales which were unusually high in 1952. In the first six months of 1953 this decline accounted for $22·4 million, or almost 50 per cent of the overall drop in exports to all Latin America. Exports of certain other important commodities such as pulp, newsprint, tires, electrical apparatus and copper products were also lower than last year. Sales of some of these products were affected by increased competition in many markets and by dollar restrictions—particularly in Brazil. However, exports of wheat were up to \$20·6 million in the first half of this year, \$6 million more than in the same period of 1952. Brazil and Peru were the main markets for Canadian wheat.

The Main Markets

Canada's chief markets in Latin America in 1953 continue to be Brazil, (\$28 million in seven months); Venezuela, (\$20·5 million); Mexico, (\$16 million); Peru, (\$10·4 million) and Cuba, (\$9 million). Exports to Brazil, Mexico and Cuba were substantially lower in the first seven months of 1953 than in the same period last year and somewhat lower to most of the other countries. Exports to Venezuela and Colombia remained about the same as last year; sales to Peru, Argentina, Ecuador and Paraguay increased slightly. United States exports to the Latin American area, particularly Brazil, also showed a drop in the first months of this year, compared with last year.

Imports Well Maintained

Imports from Latin America have been maintained at high levels and totalled \$114·5 million in the first five months of this year, slightly higher than in 1952. Canada's main suppliers in Latin America were: Venezuela, (\$58 million in five months, mainly petroleum); Brazil, (\$13 million); Mexico, (\$9 million); Colombia, (\$9 million); Cuba, (\$5·6 million). Imports of petroleum were higher than in the same period last year and compensated for declines in imports of certain other commodities. Main imports—in addition to petroleum—continued to be coffee, sugar, wool, cotton, bananas, tomatoes and fibres.

Underlying Factors

The dollar position of Latin American countries has shown no basic changes in recent months, but in certain countries there are encouraging signs of improvement. Argentina's economy is being strengthened by much better grain crops and Brazil is taking active measures to resolve its exchange and debt problems. Brazil, Argentina and Chile continue to maintain strict import restrictions against dollar goods, but many countries of Latin America, notably Venezuela, Cuba, Colombia, Mexico, Peru and the Central American Republics are substantially open dollar markets, with keen competition on a straight commercial basis. Latin American countries continue to make progress with their extensive development programs and these should provide valuable market opportunities for Canadian suppliers.

The main change in the trading picture as compared with previous years is undoubtedly the increased competition from European and other suppliers in this area. It is thus particularly important that Canadian exporters seek every opportunity of strengthening their position in Latin American markets.

—Maurice Schwarzmann
International Trade Relations Branch

Argentina

- *Two bumper crops have sparked economic recovery.*
- *Barter deals continue important in export trade.*
- *Prospects for greater trade with Canada uncertain.*

BUENOS AIRES—Assisted by the bumper crops harvested in late 1952 and early 1953, the Argentine economy is gradually climbing out of the economic morass in which it floundered for nearly three years. Three successive years of drought, culminating in the disaster of 1951, bogged down the wheels of progress to the stalling point. The low spots now seem to have been left behind but the road ahead, though firm, is rough. Careful driving will be needed to reach the smoother highway ahead.

Faced Difficult Times

The two main export groups—cereals and by-products and meat and by-products—each account in a normal year for about 45 per cent of total exports and therefore of Argentina's foreign exchange earnings. The year 1951-52 produced scarcely a bushel of grain of any kind for export, at a time when two preceding years of semi-drought had already whittled away all of the surpluses and reserves of export products and the reserves of foreign exchange that would have meant salvation.

The brunt of preserving the economy as much as possible fell upon the meat industry, though it too was hard hit by drought. By instituting meatless days and controlling slaughtering, etc., all available meat was marketed abroad to earn foreign exchange for essential imports. Including all exports, total earnings were not more than 60 per cent of those of either of the two preceding years. or more than 50 per cent of an average postwar year. The remaining essential imports had either to be cut out entirely or negotiated on credit. Extensive credit deals were concluded and were largely responsible for carrying the economy through this period of austerity. By the time the bumper crops of 1952-53 could be realized upon in the early months of this year, the Argentine economy had reached its lowest point in modern history.

Present Trend

From that time on, improvement set in. The rainfall in 1952, although by no means heavy, came at just the right moment. The previous wheat crop had been insufficient for domestic requirements but the present one yielded over seven million metric tons. This constitutes a postwar record and close to an all-time record of acreage yield. The yield of maize and other later crops was also satisfactory. Even with falling cereal markets, it should not be difficult to sell at good prices (either for cash or under barter agreements) all of the cereals and their by-products. The livestock industry also benefited from the end of the drought and it became possible to initiate rehabilitation of the herds.

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The crops just harvested are, however, only a beginning. It will take the proceeds of successive crops of average volume for the next three or four years to put things right. The present crop plus meat exports cannot pay off accumulated foreign commodity debts and provide for even essential imports. Even with favourable weather, austerity will be needed for at least another two crop years. It will take that long to put the country comfortably onto the right side of the ledger. Even then, there is little prospect that import and exchange controls will be abolished. The 1952 and 1953 bumper crops, in fact, have largely meant less debt owed to credit institutions.

Foreign Trade Policy

The salient feature of Argentina's present foreign trade policy is bilateralism. Such bilateral exchanges bypass the complexities of currency and exchange controls and usually develop into mere bookkeeping arrangements between the two contracting parties. The Argentine Government has already made some 15 of these bilateral or compensatory agreements with all of the main European countries, some Latin American republics, and Japan; in addition, there are some agreements between I.A.P.I., a state entity, and foreign private companies. Some of the latter are straight barter trades and others are purchases for currency on an instalment basis, usually 20 per cent cash and 20 per cent each six months thereafter. These deals constitute a mortgage on future earnings.

Under these agreements, the flow of imports tended to continue in the accustomed channel far beyond the point envisaged in the reciprocal credit clause which most of these treaties contain. The result was that Argentina accumulated considerable commodity debt—with Brazil, for example, this was rumoured at the equivalent of US$100 million. Several supplementary or substitutive agreements have already been negotiated whereby this debt will be paid off over the next few years in instalments of Argentine goods. This repayment will necessarily reduce Argentina's export earnings and thus the foreign exchange to buy essentials in world markets.

Scarcity of Dollars

This country has a chronic scarcity of dollars. Because about 90 per cent of its exports normally consist of agricultural products, its earnings are about three of soft to one of hard currencies. Present policy is first, to obtain everything possible under existing bilateral agreements, second, for the soft currencies available, and last for dollars. The latter are granted by the Central Bank only for essentials which cannot be obtained anywhere but in the dollar area. As a rule, the Bank will not grant exchange for any product, or a reasonable approximation, which is already produced in sufficient quantity within the country. The availability of dollars to finance dollar imports is further reduced by the Central Bank's custom of using dollars to bolster the foreign exchange and gold reserves.

From January-June of this year, Argentina showed favourable trade and exchange balances for the first time since 1950 for any similar period. This is the time when cereal exports, wheat particularly, are in full swing. It is likely that a surplus will accumulate at the same rate during the second half of the year because, although some cereals are nearly exhausted and others will diminish in volume as the year progresses, the bulk of the wheat and maize has still to appear in the export figures.

The favourable trade balance for this half-year amounted to some 1,147 million pesos, compared with unfavourable balances of some 3,133 million for January-June 1952 and of 3,969 million and 3,781 million for the years 1952 and 1951. These combined trading deficits are sufficient to absorb all likely net earnings for a number of years.

Imports Still Restricted

As compared with a year ago, the Central Bank's gold holdings at July 31st had almost doubled to 1,623 million pesos; the gold-backed foreign exchange increased by 50 per cent to 225 million, and other foreign exchange by 25 per cent to 1,908 million. The favourable balance achieved this half-year is not due so much to expanded exports—although they did expand by 83 per cent—as it is to curtailed imports, down by more than half compared with the same period last year. Considerably more exchange permits have, however, either been issued recently or will be shortly, mainly for fuels, machinery of various kinds and spares, metals and essential drug products.

A reliable authority has estimated that to supply the pent-up demand for essential products, imports should run at the rate of some 700 million pesos ($140 million) a month, for the whole of this year. No such figure is likely under present conditions.

Canadian trade prospects will continue to be confined to those commodities which cannot be obtained under existing bilateral agreements or for soft currencies, even at prices appreciably higher. The recent visit of the Canadian Trade Mission served to make Canada somewhat better known and it has already influenced the diversion to Canadian exporters of a somewhat larger share of the dollars available for imports.

Five Year Plan

The second Five Year Plan was recently announced. Official expenditure is estimated at 33,500 million pesos, equal to a third of the country's estimated savings over the five-year period 1953-57. Some reliable quarters estimate the possible maximum at 20 per cent. The remaining two-thirds of the estimated savings are expected to be invested by private companies. This estimate of the national savings available for investment in the Plan depends, of course, on continued good crops and no recurrence of drought, together with the arresting of inflation. Success will also depend on an increase in the labour force of about one million, to be provided by natural growth and immigration.

Should the private estimate of the national savings be nearer the mark than the official one, it is hoped that foreign capital will fill the gap. Congress has just passed a bill which governs and encourages such investment for the development of industry and mining and accords it the same protection as that given to national capital. Foreign capital previously approved by the Government may enter as liquid funds or in the form of machinery, equipment, tools and other assets. Two years after entry, profits of up to 8 per cent a year on the registered capital may

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be remitted abroad. Alternatively, profits may be registered as foreign capital with the same right of remission later. After ten years, all registered capital may be withdrawn in annual quotas of between 10 and 20 per cent. Other benefits—such as exempting physical assets from customs duties—are to be allowed. The bill, however, makes no provision for the remission abroad of profits earned on the foreign capital already invested in Argentina.

Expanding Petroleum Industry

One of the most important goals of the Plan, for which foreign capital will likely be needed, is the expansion of the petroleum industry. Probably the greatest single drain on the country's foreign exchange earnings is for fuel. Almost no coal is yet produced although the development of a low-grade field in the south is under way and is designed to supply all of Argentina's requirements. Only about one-third of the petroleum products needed are produced and, although production is expanding, it is not keeping pace with increasing consumption.

If Argentina could provide its own fuel requirements, the exchange saved would go a long way towards financing imports of the large quantities of capital goods essential to the success of the Plan. New oilfields in the north of Salta Province promise a potentially large increase in petroleum production as soon as the capital necessary to develop them can be found. No doubt the practice of obtaining capital goods on deferred payment terms, either for exchange or for goods, will be continued by the authorities in obtaining oil equipment for the State petroleum enterprises. However, national savings and credit purchases are not likely to provide sufficient capital for this development nor for mineral exploitation.

Economic Union

In July a treaty was signed with Chile which constitutes the framework of economic union which later will be enlarged by a number of subsidiary enabling agreements. Much the same type of treaty was signed with Paraguay in August. Co-ordinated development of all three economies on a reciprocal basis is the plan, with the aim of creating a single economic area. An ultimate customs union is in prospect, with some immediate exemptions from duty of specified goods. Import, export and exchange controls are to be simplified and reduced to a minimum, as are the controls over the movement of capital and profits. The present compensatory trade agreements are to be amplified and border and transit trade facilitated. Internal taxation on consumer goods is to be equalized and all transport pooled and integrated. The southern Trans-Andine railway will be completed, existing means of communication developed, and tourism encouraged. Other South American countries are invited to join.

Whether or not a true economic union will come, considerable interim benefits should result. Chile and Paraguay will provide markets for Argentina's foodstuffs and other consumer goods as well as for some light capital goods. Argentina should be a good customer for Paraguay's tropical products and for Chile's metals and metal goods, fish products and fertilizers.

—C. S. Bissett
Commercial Counsellor for Canada

Paraguay . . .

BUENOS AIRES—Paraguayan prosperity depends to an important extent on the economic fortunes of its neighbour and best customer, Argentina. The Argentine economic crisis of 1952 was reflected in Paraguay and Argentinian recovery this year has induced a similar upward trend in Paraguay. Excluding some setbacks such as frost damage in July to the second cotton and sugar cane crops, the general tone in production, marketing and finance is one of improvement over last year, though 1952 was a bad year. An important part of this improvement stems from Argentina's greatly increased purchasing power and its come-back as a market for Paraguay's tropical products, particularly timber. This commodity, livestock and its by-products and tropical and semi-tropical agricultural products account for some 80 per cent of Paraguay's foreign exchange earnings.

The effects of two important changes in the financial structure are just now beginning to emerge. First came the devaluation of the guarani of a year ago, further amended in December last. and second, the U.S. $5 million loan. The former permitted considerably increased guarani prices to be paid to producers, and gave added incentive to expand acreage. The latter was designed to make possible the effective cultivation of this larger acreage by the same labour force, by providing badly needed agricultural machinery and implements and building roads to help get the resulting produce to market. This capital investment is under way. Its effects will benefit the whole economy.

Trade treaties have been concluded with Uruguay, Italy and Argentina in an effort to ensure markets for a substantial part of Paraguayan production. The first two are mainly barter or compensatory agreements although that with Italy also provides for Italian capital investment in new industry. The treaty with Argentina is much more comprehensive. It is an embryo economic union and is discussed on page 8.

As in Argentina and Uruguay, Paraguay earns through exports a much larger proportion of soft currencies than hard. Under present conditions this means the country is forced to purchase where it can sell, even when prices are less attractive than in the dollar area. Even the ratio of purchases to sales in the dollar area cannot be maintained because dollars are being used to bolster depleted exchange reserves. The year 1952 was a particularly bad one because a substantial part of the dollar earnings had to be diverted to the purchase of wheat from the United States. Wheat is usually supplied by Argentina for pesos but last year that country had no wheat to sell. The result was not only a substantial decrease in exchange reserves but also a fairly severe curtailment in customary imports from the dollar area. Until the reserves have again been built up to a reasonable level, greater freedom in the allocation of exchange for dollar imports will not be possible. This will not happen in '53.

—C. S. Bissett
Commercial Counsellor for Canada

Uruguay

- *Policy of retrenchment has shown results in '53.*
- *All 1952 wool clip, and accumulated stocks, sold.*
- *Conservative import policy will continue this year.*

BUENOS AIRES—The much brighter economic picture in Uruguay this half-year contrasts markedly with the recession in the similar period of last year. The disturbing factors have been controlled or neutralized and drought conditions have disappeared. Last year's unfavourable trade balance has been reversed and foreign exchange reserves built up considerably above the danger point of late 1951. The past 18 months have been a period of relative austerity as compared with 1951. Retrenchment has been the watchword to give the economy a chance to recover and to place the country in a better financial position. Exports were pushed and imports sharply reduced, and it is expected that this latter policy will continue for at least the remainder of this year.

Fluctuation in Wool Exports

Wool is Uruguay's most important single export product and the bellwether of the economy. In a normal year it accounts for up to 50 per cent of the total export value and good wool markets at fair prices are essential to Uruguayan prosperity.

During most of the first half of last year, both Argentinian and Uruguayan wool was held off the international market on the gamble that prices would again reach the level of those which prevailed in 1951. Unfortunately, that period found buyers fairly heavily stocked at a time of international recession in the textile trades and no longer in a mood to pay high prices for wool. In June, Uruguay re-entered the market at prevailing international prices but compensated exporters for the lower prices by awarding them a higher export exchange rate. The intervening six months' dearth of foreign exchange earnings was, however, responsible for the sharp contraction in imports which still persists and for a substantial decrease in exchange holdings.

Since then, wool exports have risen steadily. In this last year almost the whole of the clip of 1952, plus all accumulated stocks from previous annual clips, has been sold. By August 1, only some 10,000 bales remained for sale between then and the new 1953 clip, due about October. The importance of this one item to the Uruguayan economy is highlighted by the fact that from January-April 1953, wool exports, at roughly US$60 million, accounted for over 60 per cent of total exports.

Foreign Trade

For the same four months, total exports amounted to $99,263,264 (Uruguayan statistics are always expressed in the form of U.S. dollars), compared with only $41,564,973 for the same period last year. The withholding of wool was chiefly responsible for this comparatively low figure.

Pictured above is the refining plant of ANCAP, which supplies Uruguay with all its gasoline and kerosene. Each year this plant, a government-owned monopoly, imports petroleum valued at 25 million Uruguayan dollars.

The opposite trend is evident in imports, which were respectively $59,-929,295 and $90,034,251. Nevertheless, this former figure is comparable to the imports during this same period for the years 1948-50. Under present conditions, however, it is considered somewhat low. Canada provided in this period about 4·7 per cent of the imports but took only 0·77 per cent of the exports.

The favourable trade balance was therefore some $39 million and, since exports are valued on an f.o.b. basis and imports on a c.i.f. basis, this figure will fairly closely approximate the balance of accounts. This compares with a deficit balance last year of some $48 million.

Exchange and Import Permits

The conservative policy covering the grant of exchange is expected to continue for at least the remainder of this year. At present exchange allocations are mainly confined to First Category, i.e., essential goods. Much smaller amounts are being granted for Second Category, semi-essential, and almost none at all for Third Category, non-essentials or luxuries. All imports continue to require prior import permits. The foreign exchange position is not by any means strong enough to permit the re-introduction of the "sworn declaration" system which was suspended in December 1951. Under this system, exchange was automatically made available to importers of First Category and of specified Second Category goods on presentation of completed import contracts. However, a proposal to free from the import permit requirement certain merchandise from European and Latin American countries with which Uruguay has bilaterial trade agreements is being studied. Goods from the dollar area were not included in the original proposal. However, it is difficult to see how such a concession could be withheld from those dollar countries with treaties in force which guarantee non-discrimination in exchange quotas and the means of international payments.

Certain amounts of dollar-area goods have been imported recently under "switch" deals—i.e., the conversion of trade agreement currencies to free dollars. However, such goods are expensive because of the conversion cost. Moreover, such deals are confined to those specific commodities for which quotas in trade agreement currencies are opened from time to time by the Bank of the Republic.

For the whole of 1952, sales of exchange totalled $234 million; for January-June of this year, the import quotas established already amount to $202 million. This figure, however, constitutes the bulk of the quotas to be established for this year.

Future Prospects

Almost all phases of the economy show considerable improvement over the same period of last year and steady economic progress seems certain. This improvement, however, is not expected to benefit exporters from the dollar area for this year at least. Of the $202 million of import quotas, less than 10 per cent has been allocated to dollar area goods, in spite of larger dollar earnings. Almost 25 per cent of the exports were sold for dollars. Uruguay has the same problem, although less serious, as Argentina has—the rebuilding of its foreign exchange reserves. The current curtailment of dollar imports even beyond the ratio of dollar to total earnings results from the need to conserve dollars to build up these reserves. Once this is accomplished, much more liberal quotas for dollar area goods are expected. However, this is not likely until the early months of 1954, after sales prospects for the 1953 wool clip have been evaluated. Meanwhile, the same buying principle as in Argentina will continue to govern import purchases—that needs will be filled first under existing bilateral agreements, second for soft currencies and last for hard currencies, including dollars. Little change seems probable as long as the inconvertibility of most of the world's leading currencies remains.

—C. S. Bissett
Commercial Counsellor for Canada

One of Chile's minor problems is the plague of rabbits which is invading the southern provinces of Magallanes and Tierra del Fuego. A new bill being sent to Congress by the Ministry of Agriculture provides several measures for dealing with this problem. For example, ammunition, firearms, wire mesh, etc., imported to help in the anti-rabbit campaign, are to be declared free from customs duties. In addition, rabbit skins and hair are to be exported without restrictions at the free bank rate of Ch.$110 per U.S. dollar. The Government will levy a tax on these exports equal to 10 per cent of the declared value. The proceeds will be deposited in a special account and used by the Ministry of Agriculture for research into methods of control.

Brazil

- *New policies introduced to settle outstanding debt.*
- *Canada among top twelve exporters to this market.*
- *Several signs indicate improvement in months ahead.*

RIO DE JANEIRO—The goodwill visit of a distinguished group of Canadian government and business leaders to Brazil early in January gave a promising start to a year that unfortunately developed into what may well be the gravest one in Brazilian financial history. A quick glance at the drop in Canada's exports to and imports from Brazil gives little reason for optimism in the immediate future. However, a brief comparison with the general position shows Canadian exports to Brazil down by 49 per cent and imports from Brazil by 22 per cent. On the average, Brazil's imports decreased by more than 50 per cent and exports by 14 per cent and, while the United States retained first place as supplier and customer, her exports to Brazil have dropped by some 65 per cent and imports from Brazil by 12 per cent. A survey of the Brazilian statistics covering the first four months of 1953 reveals that Canada has moved up into the top dozen countries selling to and buying from this market. There is reason for guarded optimism because, if this position can be maintained in a time of crisis, it augurs well for the future.

A Turning Point?

The appointment in June last of Sr. Oswaldo Aranha as Minister of Finance and Sr. Marcos de Souza Dantas as Director of Exchange may have marked the turning point in Brazil's financial fortunes. Both are realists with initiative and foresight and highly qualified to direct financial policy. Since the appointments were made, there has been in commercial circles a feeling that now an active effort is being made to grapple with the economic problems. However, they made no rash promises and initiated a regime of austerity. In a broad outline of his financial policy, the Minister of Finance emphasized the prime importance of settling Brazil's debts and the desirability of removing obstacles to foreign trade, particularly the red tape that discourages exporters. His aim is to check inflation, maintain the value of the cruzeiro, and continue the operation of the free exchange market in an atmosphere of confidence.

Exchange Position Critical

So far in 1953, economic conditions have been dominated by the exchange situation. Problems are piling up as a result of the drastic import restrictions which must be maintained if the country is to pay off the large accumulated commercial debt. Inflation has continued virtually unchecked and has brought general discontent and dislocation of industry through strikes. The federal budget deficit, biggest in Brazil's history,

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has been the major cause of credit expansion during the first half of the year. Now the Finance Minister has forecast about a Cr.$10 billion deficit in the present fiscal year. However, he has called for support from all quarters, particularly government departments and agencies, to cut expenditures to the bone. His declared intention is not to issue currency to cover the deficit except as a last resource and only after consultation with the Congress. However, the major portion of the tax receipts come in during the second half of the year.

The backlog of commercial debts continued to pile up until it reached the equivalent of over US$800 million, half of which was in dollars or other convertible currencies. By long-term loans, medium and short-term credits, sales of accumulated stocks of last year's export products, and current exports it is proposed to bring the debt position up-to-date and keep it so.

The terms of the $300 million loan from the U.S. Export-Import Bank were renegotiated recently, with Brazil undertaking to liquidate all outstanding U.S. commercial debts by December 31. In a recent statement to the press, the President of the Bank of Brazil said he expects Brazil's entire backlog of commercial debts abroad to be paid off by the end of the year. There have been wide fluctuations in the free market rates for foreign currencies and on two occasions the U.S. dollar has topped Cr.$50, but since the new policies were introduced, the cruzeiro has strengthened to less than Cr.$40 per dollar at the time of writing.

Imports and Exports Drop

Although available figures cover only the first four months of the year, they show a considerable decrease in both exports and imports. An exchange surplus equivalent to US$43 million in all currencies was achieved during those four months, but only by cutting imports more than 50 per cent compared with 1952. Unfortunately, exports also declined by 14 per cent compared with the first four months of 1952, a time when they were also unusually low.

The importance of exports can hardly be over-emphasized because they are almost Brazil's only source of foreign exchange and the cornerstone of import policy. In the first four months of this year the physical volume of exports was down 48 thousand tons and the equivalent of US$80 million, compared with the similar period in 1952. Almost all products contributed to the decline and practically all Brazil's principal trading partners bought much less. The main customers in order of importance were the United States, Germany, France, Sweden, the United Kingdom, Italy, Denmark, Holland, Norway, Argentina, Belgium- Luxembourg and Canada.

Although the original experiment with exports through the free exchange market did not come up to expectations, Brazilian exporters now hope for improvement as a result of the following new policies:

- Simplifying bureaucratic procedures and eliminating red tape.
- New regulations increasing from 30 to 50 per cent the proportion of sales proceeds for a large number of products to be paid with free market exchange.

- A new system of established prices for coffee and other major export commodities, with exporters keeping for their own use any margin realized on an export sale over the established price.
- A series of discounts to encourage sales of cotton to selected destinations.
- Bilateral trade agreements with a number of countries.

The two major export products have not fared well this year. The coffee market was upset by a struggle over prices both at home and abroad and in the first six months exports were down 850 thousand bags compared with last year. The cotton market continued weak, with international prices well below 1952 and until recently international demand for Brazilian cotton was practically nil. On the other hand, cocoa exports are up 75 per cent by volume and 42 per cent by value over the equivalent period of last year, with the prospect of a normal international market for the main crop now coming in.

Import Restrictions to Continue

The total value of imports in the first four months of this year was the equivalent of $378 million, compared with $802 million in the same period last year. Of these totals, imports in convertible currencies accounted for 56 per cent and 62 per cent respectively. Imports of all the principal producers' goods and raw materials were down, except petroleum products and wheat, which make up 30 per cent of the value of imports and which showed a slight increase. The principal supplier countries in order of importance were the United States, Dutch West Indies, Venezuela, France, Argentina, Germany, the United Kingdom, Canada, Denmark, Sweden, Norway and Trinidad.

Import prospects for the second half of this year continue to be gloomy. The strict limitations now in effect are expected to continue and may even become more severe. Present indications are that the exchange budget for imports from the dollar area in the last half of the year will approximate US$300 million, of which more than US$200 million is earmarked for petroleum products, newsprint, and government expenditures. The estimated amount available for commercial imports is about $60 million, or $10 million a month, compared with some $20 million a month spent during the first six months. The forecast requirements of vital materials from dollar sources during this second half-year is $130 million, said to be an irreducible minimum. With imports during the first half-year well below the subsistence level for many industries and domestic requirements generally, the prospects for the immediate future are hardly encouraging.

New and complicated import regulations were issued in July and have been widely criticized by local business circles. The list is composed chiefly of raw materials and essential equipment and was drawn up to apply to all countries, including those benefiting from bilateral trade agreements. It gives no clear indication of what items are likely to be licensed from dollar sources. The guiding principle in considering applications is to be what foreign currencies Brazil has available at the time. Applicants have been encouraged to nominate several countries as possible sources of supply and the licensing authorities will select the one best

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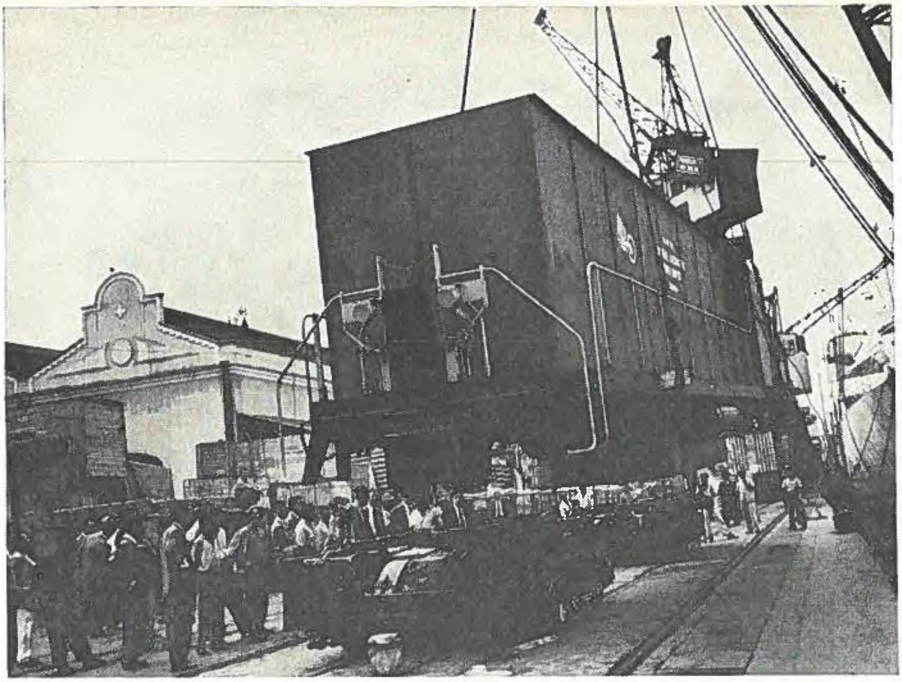


High on the list of Canada's exports to Brazil come capital goods. This diesel locomotive was made in Canada for the Central do Brasil Railroad.

suited to the exchange position. It is expected, therefore, that a more logical importing scheme will be developed but for the present there is little indication of what it is likely to be or when it will be introduced.

The use of the free exchange market as a medium for licensing the import of essential goods that cannot be accommodated through the official market, and even special cases of semi-essential items, is gradually being introduced. However, the Finance Minister recently suspended temporarily all licensing through that channel for the purpose of preserving the free rate of the cruzeiro and reconsidering the items that should be eligible. If that suspension continues too long, it may add to the difficulties of local industries and intensify the inflation.

Industry Feels the Pinch

Trade has been most directly affected, but practically every segment of the Brazilian economy has suffered from the exchange problem. Industrial production has lagged and may drop even more because of the continued inability to import vital raw materials and equipment. There is a grave shortage of electric power, partly because of restricted facilities for importing essential materials and securing foreign financing. The main reasons are, however, a prolonged period of dry weather reducing water supplies to a critical level, and the sharp increase in consumption. Although these conditions affect primarily the expansion and diversification of industry, they have also been responsible for many São Paulo industries failing to maintain established production levels.

The prospects for future industrial expansion and the investment of foreign capital are still uncertain. Only a few weeks ago the President of the Bank of Brazil said that new industrial projects, irrespective of their usefulness, must wait until the exchange position can take the strain. Industries not so directly exposed to the exchange difficulties—such as steel, coal, cement and sugar—have maintained production.

Agriculture Has Its Problems

Agricultural production has been plagued by natural calamities and, as a consequence, conditions vary from area to area. Floods in the Amazon Valley caused extensive damage to already low production. In the northeast, drought destroyed new sowings completely in some sectors and delayed planting in others. Fortunately harvesting took place under normal conditions in the south-central area and the volume bears out earlier estimates, although it is not much greater than the 1952 harvest. The area provides about 80 per cent of Brazil's agricultural production and the majority of the crops are harvested during the first six months of the year. The harvest to date indicates some relief from the difficult supply problems of the early part of the year.

A heavy frost in the south early in July which damaged the 1953-54 and 1954-55 coffee crops, principally in the State of Parana, has wiped out prospects for a bumper crop in 1954. Conservative observers believe that production next year may be 25 per cent less than previous expectations and about 20 per cent under the current year's harvest. Some growers are likely to suffer serious losses but these losses may well mean a closer balance between supply and demand in the next two years, with higher prices for reduced sales. Cutting back the coffee trees will permit the farmer to plant other crops between the coffee.

Outlook Brightening

Although so far it has been a difficult year for Brazil and is likely to remain so, there are prospects for improvement. A definite effort is going on to move export products by making the returns more attractive to the exporter and prices more attractive to the foreign buyer, and by eliminating red tape. Fortunately export productive capacity has not been fundamentally affected by the financial difficulties and new measures are being introduced to improve the general atmosphere. Rumours are current that the clause that gives the administration power to close the free market at any time will be deleted from the Free Exchange Market bill. This clause has been one of the principal obstacles to prospective foreign investment. Other steps have as their goal the harmonizing of the financial policy of the Ministry and the Bank of Brazil.

Various new essential industries are nearing completion and the amount of exchange to be saved when they come into production has been calculated at $32 million this year, $58 million in 1954, $126 million in 1955, and almost $160 million in 1956. These figures cannot be taken to represent a net saving but will undoubtedly mean substantial relief once they get under way. Amongst the visible improvements are the firming of the cruzeiro on the free market, the fact that last year's cotton crop is moving, and the measures to encourage exporters of coffee and other products not directly linked to the free market. There is, moreover, greater confidence in business circles.

—C. R. Gallow
Commercial Secretary for Canada

Chile

- *New measures introduced to strengthen the economy.*
- *Decline in world price of copper has repercussions.*
- *Exports and imports are increasing over 1952 figures.*

SANTIAGO—Checkmate is a term that might well be applied to business conditions in Chile today. Chilean business appears to have reached an impasse because of inflation and because of the anxious waiting period which has followed the introduction of the Government's new economic plan. The measures include a continuation of import control, with the substitution of a uniform rate for the former multiple exchange system; a new State Trading Organization; a law to fix prices; a revision of internal taxes to provide additional income for the new Budget, which will be examined for unnecessary expenditure. In addition, a state-owned bank has been set up to enter the commercial field and help finance the Government's economic plan. Naturally, businessmen are waiting to see more clearly what their new position is with respect to costs and profits.

Chile spends at home and abroad far more than she earns and for some years has attempted to use credit to overcome this difficulty. The new policy suggests consumer economy and increased production which, of course, would be a solution. However, the proposed increased production in itself requires increased expenditure and it will take time before results become apparent. This, plus labour difficulties and industrial and agricultural problems, contributes to temporary unrest.

Selling Copper Production

Chile during the past year has had to face deficits in both her National Budget and her Foreign Exchange Budget. The decline in the world price of copper has had an adverse effect because the copper industry is the principal provider of foreign exchange and an important taxpayer. The Chilean Government, as sole salesman of copper production, has endeavoured to hold out for what is now an artificial price for copper—35½ cents per pound. The result is that important quantities, and even shipments under compensation agreements, have been held up. Efforts are now being made to dispose of these stocks at a lower price, with perhaps a loan negotiated to help cover the resulting deficit in the copper income. It is reported that, of the total annual production of 340 thousand tons, 165 thousand tons have been sold at the fixed price. Chile is attempting to arrange for the purchase of the entire stock of copper by the United States Government. It is expected that the United States will co-operate, but only if the Chilean taxes imposed on the large mining companies are revised.

The nitrate industry, another important provider of exchange, has seen exports drop but the situation is being corrected by granting more favourable export rates. High prices intensify the ever-present threat of competition from synthetic production and it is reported that Brazil and Egypt, important purchasers of Chilean nitrate, are considering the construction of a plant to make synthetic fertilizer.

High agricultural costs had made export prices non-competitive but the granting of an improved exchange rate for the liquidation of returns made it possible to resume shipments.

Foreign Exchange Deficit

The Foreign Exchange Budget for 1953 was calculated to balance at US$470·5 million, or US$27 million more than the previous year. The falling-off of exports means that the deficit at the end of the year will be considerable, estimates varying from US$100 million to US$150 million. As a result, the import permit system has been tightened and exchange is being reserved for essential consumer goods, raw materials for industry, and machinery. All preferential exchange rates for imports have been abolished and the rate is being maintained at Ch.$110.00 per dollar.

Chile is making every effort to increase trade with countries willing to enter into bilateral arrangements. Such treaties have been negotiated with Germany, Italy and Argentina, among others. Chile is particularly keen to increase exports of nitrate under such arrangements.

National Budget Increases

The 1953 National Budget was approved at a balanced figure of Ch.$47,464 million, as compared with Ch.$29,889 in the previous year which, however, ended with a considerable deficit. Despite the efforts of the new government to curb expenditure, a new high will undoubtedly be reached. It is said that the Budget to be presented to Congress in September will reach Ch.$60,000 million.

Inflation has continued to affect industrial undertakings and it has proved difficult to raise new capital. One indication of the position is the share index value of industrial corporations, which has only increased from an average of 82·7 in 1948 to 96·0 in April 1953. The official banking rate value of the peso has moved from Ch.$43.00 to Ch.$110.00 per dollar. The textile section of the share index included in the foregoing has declined from 78·2 to 54·9.

Expansion of Trade

The external trade of Chile continued to expand in 1952, with exports increasing from 1,824·5 million gold pesos (gold peso is equal to about 21 cents) in 1951 to 2,236·1 million in 1952, and imports from 1,593·4 million to 1,796·4 million. Agricultural products, in contrast to the previous year, showed an appreciable increase of 28·3 million to 100·2 million, but this is still only 6 per cent of the value of mineral exports, which constitute 78 per cent of the total. Wheat, which accounted for 38 per cent of Chile's imports from Canada last year, will this year be purchased in Argentina. Approximately 200 thousand tons will be required. The United States continues to be Chile's major customer and supplier, with Argentina in second place as customer and third as supplier. Trade with Germany increased significantly.

Figures just released on exports and imports for the first five months of 1953 record a considerable improvement. Nearly two million metric

—University of Chile

This rather striking photograph shows one of the principal copper mines in Chile. Because Chile depends upon copper to earn substantial amounts of foreign exchange, decline in the world price has affected national income.

tons of Chilean products, valued at 930·4 million Chilean gold pesos, were exported and nearly 900 thousand tons of foreign merchandise, valued at 641·4 million Chilean gold pesos, were imported. In the first five months of 1952 exports were valued at only 224·1 million gold pesos and imports at 128·7 million.

Leading exports were copper, valued at Ch.$340·6 million; nitrate, Ch.$116·2 million; iron ores and sheets, Ch.$44·9 million; agricultural products, Ch.$36·2 million; wool and sheepskins, Ch.$29·6 million.

The principal imports were petroleum and other oil products, Ch.$76·3 million; cotton, Ch.$36·6 million; sugar, Ch.$36 million; cattle, Ch.$26·7 million, and edible oils, Ch.$17 million.

Canada's Trade with Chile

Canadian statistics show a decrease in exports to Chile from Can.$13·7 million in 1951 to Can.$10 million in 1952, although this figure includes wheat exports of Can.$3·8 million which are unlikely to be repeated. Newsprint purchases have this year been diverted to Scandinavia because of Chilean currency restrictions.

Canada's total trade with Chile for 1953 may well be less than 50 per cent of last year, but there is every reason for exporters to look to this country as an expanding market for Canadian products. Sales of agricultural machinery under the Development Corporation plan (involving two years' credit) have continued to increase and the potential demand for industrial and capital goods will grow with industrialization. Raw materials, machinery, industrial chemicals, ferro-alloys and asbestos are in demand and the country requires an extensive range of manufactured products. Exporters interested in this market must be prepared to give it patient, personal attention and to be content for the time being with small and sometimes token orders.

Chile is short of dollar earnings and Canadians could assist in easing this problem by increasing their purchases of Chilean fresh fruits, onions, beans, sheepskins and wine. A new government purchasing agency and the Chilean Development Corporation are likely to become increasingly important factors in Chilean international trade.

Increased Industrial Production

The average general index of industrial production (basis 1936-38=100) increased from 168·5 in 1950 to 193·4 in 1951 and 212·8 in 1952. The steel industry, with increased production of the new steel works at Huachipato, is principally responsible for the improved 1952 index figure. Consumption goods and electric power expanded, but industry in general made a poor showing.

A greater volume of electric power is being made available to industry and the National Electricity Corporation—ENDESA—a subsidiary of the Development Corporation, is going ahead with its extension plan. By next year this should mean additional electric power for the central provinces. A general expansion plan is announced, to be completed in twelve years at a cost of US$30 million and Ch.$7,000 million.

Negotiations for the establishment of a number of new industries have been going on. These plans include a rubber footwear factory, an aeroplane factory under the auspices of the Chilean Air Force, a penicillin plant for which a contract has already been signed with the World Health Organization, and a wire mesh factory in Punta Arenas. This latter is specially designed to combat the rabbit plague by supplying wire enclosures.

Installations are being completed for the first beet-sugar factory in Chile which is expected to commence operations by April 1954. This will likely be followed by other beet-sugar factories, eventually making Chile independent of foreign supplies and saving in foreign exchange about US$20 million a year.

Mining Industry

The Chilean mining industry reported reduced output during 1952 in nitrate, iodine and iron, compared with the previous year. The number of workers under all headings increased but most of this increase was in the coal mining industry. Comparative production figures for the two years were:

	1951	1952
Copper	379,726 tons	404,742 tons
Nitrate	1,684,407 "	1,427,817 "
Iodine	1,298,482 "	818,336 "
Iron	3,174,338 "	2,310,474 "
Coal	2,211,295 "	2,416,894 "
Gold	5,402 kg. fine	5,475 kg. fine
Silver	30,590 " "	38,766 " "

The cost of living, according to official statistics, increased by 13·1 per cent from June 1952 to June 1953. However, there has been a further increase since then as the result of the abolition of preference rates of exchange for essential consumer goods, including sugar, tea and edible oils. Further price increases will be announced shortly. To meet these increases, the Government has decreed the increase of lower bracket salaries by 15 per cent and announced the "freezing" of prices over a wide range of articles and services from June 15th last. This presented the administrative difficulty of determining the last price in force as of June and the measure has caused an artificial shortage of a large range of commodities. Further price increases are inevitable; so are renewed demands by labour. Curtailment of Chile's inflation is still in a very early stage.

—M. R. M. DALE
Commercial Secretary for Canada

Colombia

- *Record coffee exports boosted country's earnings.*
- *Import restrictions lifted on wide range of goods.*
- *Canadian-Colombian trade at all-time high in '52.*

BOGOTA—On the whole, 1952 was the best business year that Colombia has experienced in recent times. The 5·03 million bags of coffee exported, thanks to continued high prices, brought in a record $380 million (83 per cent of all exports) and 1953 exports may reach 5½ million bags. Gold and exchange reserves rose to $154 million at the year's end, a $29 million increase in 12 months, and by the end of August 1953 reached the $200 million mark. Agriculture and manufacturing both made sound progress and the boom is continuing in 1953. Exchange control remains in force but import licences are being approved without delay. Collections are good and Colombia is undoubtedly one of the most lucrative markets in Latin America at the moment.

Import Restrictions Relaxed

This prosperity is of recent vintage and is in strong contrast to 1950, when exchange reserves fell to a dangerously low $100 million. In addition to bumper coffee crops and high prices for coffee, much credit for the change goes to the fiscal and monetary reforms instituted on March 20, 1951. These revalued the peso from 1.95 to 2.50 to the dollar and prohibited the entry of several hundred products not considered essential.

The improved exchange position has enabled Colombia, long fearful of its heavy dependence on the American coffee market, to take steps in the past 18 months to broaden its trade. These steps included the removing of a wide range of manufactured goods from the prohibited list, thus permitting European countries to purchase Colombian coffee in exchange for their manufactures. To keep such trade on an even keel, the Colombian Government passed legislation in 1952 which stipulated that certain products (including radios, lightweight autos, dried fruits and motor bicycles) could only be imported from countries with whom Colombia's trade was in approximate balance or which had a trade agreement with Colombia. Canada benefits from this arrangement.

With the nation's economic fortunes so largely based on coffee, a movement to diversify exports has been gathering momentum. In August 1952 a decree was passed designed to encourage the production and export of other agricultural products, as well as certain manufactures.

The principal commodities affected were rice, corn, sugar, cement, leather, cigars and manufactures of gold. Realizing that most of these products were not competitive in the world market, the Government arranged an incentive system for the producers, which permits them to sell their foreign exchange proceeds to importers on the free market through a system of Exchange Certificates. Because merchandise otherwise prohibited may be purchased with the certificates (including medium- and heavy-weight automobiles, canned meat and fish, playing cards, phonographs and linoleum), they have been in great demand and have in recent months been selling for about 30 per cent above the normal 2.50 exchange rate. Under such a system, exporters can quote at competitive prices abroad and still receive handsome returns in their own currency. In effect, of course, they are being subsidized by the Colombian consumers who must absorb the higher cost of merchandise imported under this arrangement. So far, the bulk of Exchange Certificates have been furnished by exports of rice and have been used principally to import automobiles. It is estimated that certificates issued in 1953 will amount to more than $15 million.

Canadian-Colombian Trade Growing

Canadian-Colombian trade reached an all-time high of $31·7 million in 1952 and the first five months of 1953 show an increase over a year ago. Canadian exports of $13·7 million to Colombia in 1952 were slightly above the 1951 figures, but below the $14·8 million of 1950. Colombia's exports to Canada climbed to a record $18 million, 88 per cent of which represented coffee and consequently, Canada ranked as the second largest purchaser of this commodity, next to the United States.

Even though the range of Canada's exports to Colombia covers over 200 tariff items, a relatively small number account for a large portion of the dollar value involved, as the following table illustrates.

Major Exports from Canada to Colombia
(In Canadian dollars)

	Year 1952	Jan.-May 1953	Jan.-May 1952	% change from Jan.-May 1952
Rubber, tires, fan belts, etc.	$ 333.673	$ 190.510	$ 159.186	+19·7
Pulp	282,654	32,566	153.268	—78·6
Newsprint	1,606,319	594,588	735.067	—19·1
Paper	659,609	57.807	445,682	—87·0
Agricultural machinery and parts	2.498,846	900,590	489,835	+81·8
Aluminum	563,781	212,132	359,107	—40·0
Copper	1.063.270	221.525	257,890	—14·1
Radio receiving sets	162.789	16.418	40,843	—59·7
Electric motors and parts	122,224	2.545	100,782	—97·4
Asbestos	1,027.245	509,877	271,996	+80·1
Fertilizers	335,888	....	....	....
Drugs and chemicals	183,059	121,845	95.479	+27·6
Total	$ 8,839,357	$2,860,403	$3.110,135	— 8·0
Total of all exports	$13,756,350	$5.605,218	$5.122.385	+ 9·4

Despite the growth of trade between the two countries, Canadian goods imported into Colombia in 1952 only amounted to 3·4 per cent of the total; there is plenty of room for expansion. The United States enjoyed 55 per cent of the Colombian market in 1952 but this is hardly surprising. A recent United Nations survey revealed that "at the beginning of this century the value of total European trade with Latin America was nearly 150 per cent higher than that with the United States. Fifty years later it was some 40 per cent lower. Two world wars and a major depression served to retard European manufacturing potential and consequently its primary imports from Latin America". Nevertheless, European nations are making determined efforts to capture a larger share of the business by quoting at low prices and offering long credits. For instance, Colombian import registrations from Western Germany in 1952 amounted to $25·5 million, almost twice as much as imports from Canada.

Industry and Investment Expand

February 1952 witnessed the installation of a three-man National Planning Council, whose function it is to pass upon all national or regional development plans and to recommend monetary and fiscal measures considered vital to the national economy. Projects recommended by the Council in 1952 included:

- Establishment of a government-controlled Airports and Airways Corporation to take over from private companies the ownership and operation of airports and air communications.

- Construction of a 240-mile railway along the Magdalena River. The latter project is now under way but the former has not yet been undertaken.

Colombia continues to be a fertile field for investment from abroad. Foreign companies that come in to set up entirely new industries which will use only Colombian raw materials are exempt from patrimony tax during the first five years. In August 1952, the International Bank for Reconstruction and Development announced a $25 million loan to assist in building the Magdalena Valley Railroad and in September, $14·3 million for road building, thus bringing its total investment up to $69·6 million. The earlier loans were made for badly needed road construction and electrification projects which are now being carried out. The U.S. Export-Import Bank also approved a $4·5 million loan in January 1953 for the completion of three irrigation schemes and in July a private investment house in New York was reported to have offered a loan of $200 million for the country's internal development.

Diversifying Industry

Industrial diversification and expansion continued at a good pace in 1952 and 1,985 new companies were registered with a total capital of $109 million, 44 per cent of which was in commerce and 25·7 per cent in manufacturing industries. Private capital amounting to $46 million flowed into the country during the year and by the end of December, the total of such capital registered in industries of all kinds had risen to $834 million, exclusive of machinery and equipment. Industry has now expanded to the point where the country is virtually self-sufficient in cement, beverages, cigarettes, pharmaceutical products, cardboard containers, soda ash, textiles, and rubber tires.

The giant $100 million Paz del Rio steelmaking project is nearing completion and the inauguration is scheduled for the early part of 1954. Production of petroleum rose from 24·9 million barrels in 1947 to 38·7 million barrels (of 42 gallons each) in 1952 and exports accounted for $71·4 million, making this commodity second only to coffee. Lack of good transportation facilities and critical shortages of electricity in many areas still remain the two biggest handicaps to Colombia's industrial development, but gradually, with the aid of foreign loans, these obstacles are being overcome.

Agriculture Receives Aid

Colombia is fortunate in having vast amounts of rich land suitable for many types of agriculture and in 1952 production of wheat, rice, and cotton showed substantial gains. The Government has given valuable assistance by expanding credit facilities to farmers to finance heavy imports of farm machinery and supplies, and by promoting irrigation projects, distributing certified seed, and assisting in the selection of improved breeding stock. Contracts were awarded for the construction of eight large silos, badly needed for the storage of domestic wheat and other crops, and payment was arranged through an Export-Import Bank loan of $2·2 million, plus a 6⅓ cent surtax on each bushel of imported wheat. The Rockefeller Foundation is stepping up its agricultural program by erecting a large experimental station near Bogotá, to carry on research in wheat, corn, potatoes, beans, barley and oats, as well as in animal husbandry.

The Point Four Program initiated in the spring of 1952 includes experimentation on rubber and coffee, plus improving educational standards through the exchange of seven Michigan State College professors seconded to two Colombian Agricultural Colleges.

Promises Peaceful Progress

The new Government under General Rojas Pinilla has already set about raising $16 million to resettle thousands of people uprooted from their homes and both commerce and industry look for progress under the new regime. The Government now hopes to lower working class living costs, which rose from 395·9 in December 1952 to 418·2 (1937=100) in May 1953, though, fortunately, the rate of national investment (2½ per cent from 1938 to 1951) is growing more rapidly than the rate of population increase (2¼ per cent from 1938 to 1951). In addition, a government agency has been empowered to build thousands of low-cost dwellings and public savings are being used in exchange for redeemable bonds in order to guarantee the success of the project.

—W. J. Millyard
Commercial Secretary for Canada

Ecuador • • •

BOGOTA—Adverse weather conditions in the earlier part of the year and signs of political instability have affected business in this predominantly agricultural country. However, with improving weather and better crop prospects, business optimism seems to be returning. When the final count is made, 1953 may be remembered as a favourable year.

The year 1952 brought good crops and satisfactory international markets, and the result was a substantial favourable balance of payments. The Ecuadorean economy was therefore particularly healthy at the beginning of 1953.

In spite of progress in manufacturing, mining and forestry, agriculture still is king. The Republic's economic fortunes rest to a large degree on four basic crops—bananas, cacao, coffee, and rice. A study of crop conditions indicates that, although flooding of fields and plantations during the January to May rains brought tremendous losses, as did the inability to secure storage facilities at the terminals because of disruptions of rail and highway transport, entries onto the Guayaquil market were well maintained in comparison with last year. The overall 1953 picture, therefore, may prove to be a bright one, even though markets have shown some signs of weakness.

Import Controls Few

The Ecuadorean Government has placed only a few goods on the prohibited list and most imports are readily admitted. Commodities allowed entry are paid for with exchange under one of the following categories, according to their essentiality.

List A	*List B*	*List C*
15.15 Ecuadorean sucres to the U.S. dollar.	15.15 sucres to U.S.$ plus 33 per cent import surcharge.	17.40 sucres to U.S.$ plus 44 per cent surcharge.

By government decree of April 7 and in order to cut living costs, many consumer goods were shifted from List C to B and from List B to A. These goods included refrigerators, bicycles, batteries, certain canned foodstuffs, firearms, mirrors, lamps, certain tools, nylon hose, pencils, classical recordings, etc. A complete list of the affected commodities may be obtained from the International Trade Relations Branch of Department of Trade and Commerce in Ottawa. Flour of wheat, on the other hand, was moved from its favourable position on List A to List B, thereby reflecting Ecuador's progress towards self-sufficiency in the milling of flour.

Although supplies of foreign exchange appear to be ample for market requirements, the holdings of the Monetary Reserve have declined steadily. These reserves fell from the year's high point of 591,488,000 sucres on February 28, 1953, to 506,227,000 sucres on July 15, 1953—the latest figure available. This decline is in marked contrast to the jump from 475,425,000 on July 30, 1952, to 591,567,000 sucres on December 31st last. However, crop sales on the international market in the last half of the year may reverse the trend and maintain the Government's holdings of foreign exchange at a satisfactory level.

Trade with Canada

Canada enjoys a small share of Ecuador's import market, shipping in goods valued at $2,712,599 in 1951 and $2,030,013 in 1952. In the first four months of 1953, our exports showed an appreciable gain over the same period last year. Canada's exports to this market include wheat, flour of wheat, canned fish, vegetables, many types of paper products, and assorted manufactured goods.

Sales of wheat flour to Ecuador seem certain to decline because it has been included in a less favourable export category, and sales of wheat may fall off because the Ecuadorean Government hopes to achieve self-sufficiency in wheat. Thus, if Canada wants to maintain the value of her trade with Ecuador, exporters must try to introduce new products or expand sales of other commodities.

—W. J. Millyard
Commercial Secretary for Canada

Cuba

- *Restriction of 1953 sugar crop has widespread effect.*
- *Canadian exports today are facing stiffer competition.*
- *Sales of wheat flour, copper wire, machinery fell in '52.*

HAVANA—The general note of alarm in Cuban economic circles, sounded early in 1953, has softened considerably. The sugar crop, the basis of the Cuban economy, was in 1952 the highest on record—7,011,498 Spanish long tons, compared with the previous high in 1948 of 5,876,671 Spanish long tons. Cuba has traditionally supplied the largest single share on the world's free market and until 1952 continued to sell her total production at good prices. This position was affected by the return to comparative normality of other sugar-producing countries. With falling sales in 1952, the 1953 sugar crop was restricted by decree to five million Spanish long tons, with the hope of maintaining prices at reasonable levels.

The restriction of the 1953 crop to approximately 29 per cent less than in 1952 had inevitable repercussions. However, these were not as serious as was feared although, until the Cuban economy finally levels off, sales will continue to be affected.

Cuban importers, distributors, retailers and wholesalers are now inclined to maintain smaller stocks than in the past. Previously the tendency was to stock over and above normal needs, but the curtailment of the sugar crop—which normally employs up to half a million people during the harvest (late January to June)—meant a cut in working days and less money in circulation. The result was that the high inventories disappeared more slowly.

Off-season unemployment was, in other years, partially alleviated by an effective public works program. For over a year now, public works have not been at as high a level as in the past and this too has affected purchasing power. Now the program of public works is being stepped up. The failure of sugar mills to carry out their usual maintenance and replacement work has accentuated unemployment. It has also affected the hardware and iron and steel trades, which made large sales to the sugar industry. However, the conclusion of the International Sugar Agreement in London should mean comparative economic stability for Cuba in the next few years.

Sugar Production and Sales

According to Cuban official statistics, in 1952 over 85 per cent of the value of exports was represented by the sales of sugar and some of its by-products. For the five years 1946 to 1950, the estimated average value of the sugar and molasses production came to a little over $536 million. In 1951 the value of the crop amounted to some $694·4 million (including black-strap molasses, $58·4 million). The estimated value of the 1952 crop is $666·7 million (including $34 million for black-strap molasses). Preliminary figures on the 1953 crop are $429 million (including $29 million for black-strap molasses). Comparative price figures for the 1952-53 crop, as of August 18th, are:

	U.S. Market per lb.	World Market f.o.b. Cuba
1952	·5271	·4280
1953	·5473	·3517

In 1953 Cuba has had a total of 5,648,890 Spanish long tons of sugar available for sale—including 250 thousand Spanish long tons estimated local consumption. This figure includes this year's production of 5,006,960 Spanish long tons, a carry-over from the 1952 crop of 291,930 tons, and 350 thousand tons released from the 1952 Special Reserve Financed Quota. One of the great surprises of the year was the U.K.'s purchase of one million tons in anticipation of the ending of sugar rationing. Some 600 thousand tons of this will be from this year's crop. According to official and trade circles, only an estimated 300 thousand tons or less remain to be sold.

Other Agricultural Crops

Tobacco represents only about 5 per cent of export values but next to sugar is the largest single dollar earner. As a result of good weather, this year's crop, harvested January through May, was somewhat larger and of better quality than in 1952. Exports for the year 1952 amounted to about $42 million. For the first five months of 1953, exports were valued at $17·7 million, compared with $14·5 million in the same period of the previous year.

Although Cuba does not export rice, it is interesting to note the rapid increase in local production of this Cuban food staple. Ten years ago, less than 600 thousand cwt. was grown locally. Estimates for the 1952-53 crop are approximately 1·8 million cwt., as against the estimated consumption of seven million cwt. Almost all the rice imported comes from the United States. Increasing interest in local production means a good market for agricultural machinery, especially rice combines.

International Trade

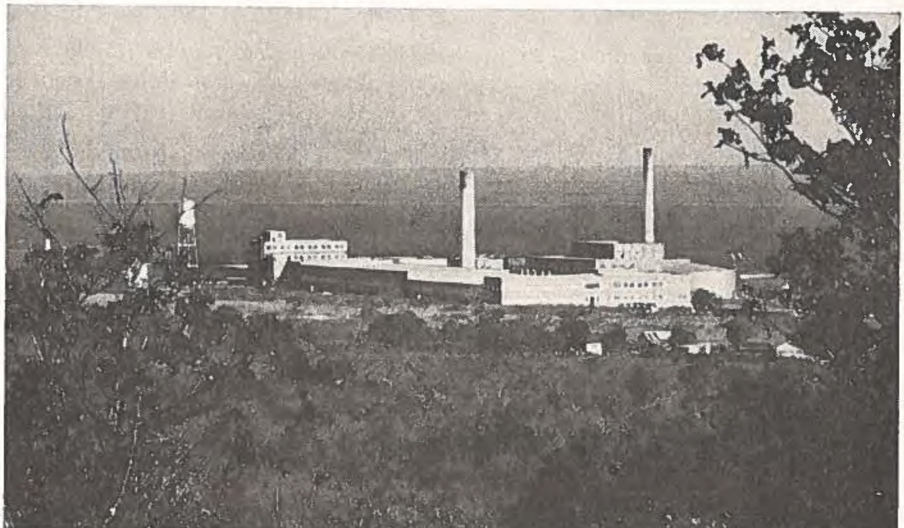
The latest Cuban trade statistics available on both imports and exports are as follows:

	Imports	Exports
1951	$640,214,656	$766,140,124
1952	618,314,082	675,344,960
First three months 1952	161,808,384	172,797,990
" " " 1953	132,290,721	162,163,188

The more important commodities imported in 1952, by percentage of total import values, were:

	per cent
Foodstuffs and beverages	29
Machinery, implements and other apparatus	21
Glass and ceramic products	10
Metals and metal products	9·1
Pharmaceuticals and chemicals	9·1
Vegetable fibres, rayon, nylon, and similar synthetic fibres	6·8
Paper and manufactures	4·1
	89·1

According to the Dominion Bureau of Statistics, Canadian exports to Cuba for the first quarter of 1953 amounted to $3,893,031 (Canadian dollars). For the similar period of the previous year, our exports were valued at Canadian $6,073,922. The main factor in this decline appears to be exports of wheat flour. During the first three months of 1952, the export value of wheat flour was Canadian $926,615, compared with $17,942 this year. A partial explanation is the fact that Cuba's first flour mill started production during the middle of last year. This mill is at present geared to produce roughly 40 per cent of local consumption of wheat flour, most of which is made from Canadian wheat. Another important drop



This viscose plant in Matanzas, opened about five years ago, ranks as one of Cuba's major manufacturers. It produces tire cord, staple fibre and filament textile yarn; supplies the domestic market and also exports.

was in sales of copper wire and machinery and parts. So far in 1953 there have been no shipments of oats because of the Cuban embargo against agricultural products from Canada, a ban which was raised in July.

Cuban imports into Canada for the first three months of 1953 were valued at Canadian $2,432,401 compared with $3,379,120 for the same period of 1952. The principal decline was in imports of raw sugar. The Canadian agreement with Cuba guaranteed our purchase of 75,000 tons of sugar a year and was signed during the fall of 1951 for a three-year period ending in 1953. However, only 25,000 tons were taken during the year of signing and 125 thousand tons during 1952.

International Agreements

Four agreements now in force are of particular interest to Canadian traders with this area:

- The exclusive agreement between the United States and Cuba places on record at GATT in much the same form the Commercial Reciprocity Agreement between the two countries, first effective in 1902 but amended and brought up-to-date on several occasions since. The Agreement gives preferred treatment to commodities from each of these countries. This Agreement has hindered to a great extent our participation in the Cuban market because in many instances the preference granted to the American product make ours uncompetitive. Cuba imports approximately 80 per cent of her requirements from the U.S.

- A new Trade Agreement between the West German Republic and Cuba, which came into force in June of this year and will run to 1955, and the existing United Kingdom-Cuban Agreement negotiated in 1951 and due to run out at the end of this year. These two have assisted Canadian trade indirectly through tariff concessions granted to the West German Republic and the United Kingdom. As a member of GATT, Canada also benefits. In these Agreements the United Kingdom and West German Republic have agreed to purchase substantial amounts of sugar. Both countries bought far more goods from Cuba than they sold to her.

- Canada's agreement in late 1951 to purchase yearly 75,000 tons of sugar from Cuba through 1953. This Agreement has done much to narrow the wide gap in balance of payments in Canada's favour which featured our trade with Cuba in the past.

Looking Ahead

The gearing of the Cuban economy to a lower income has resulted in a tighter market. More than ever, this country will be a buyers' market and eagerly sought after. Apart from the preferential treatment granted to the vast majority of U.S. products (although this has been whittled down to some extent by bilateral agreements) European and Japanese competition has intensified. The Canadian Goodwill Trade Mission of last February did much to publicize Canada, to the benefit of Canadian trade in general. There is a market in Cuba for Canadian manufactures and other products—one which has increased substantially over the last decade. It now presents a greater challenge than ever before.

—W. R. Van

Assistant Commercial Secretary for Canada

Dominican Republic

THE DOMINICAN REPUBLIC continues to be a small but steady and interesting market for Canadian products. With complete freedom from exchange and import controls, the Dominican Republic has nevertheless over the years built up a succession of favourable trade balances. Gold and exchange holdings are substantially higher than they were a year ago.

Sugar, the main export crop, is the Republic's principal foreign exchange earner and sales are made largely to the United Kingdom. Prices this year were somewhat lower but a larger yield of raw sugar, which was satisfactorily marketed, offset the reduction in price. The Rio Haina sugar mill, the Republic's largest, is increasing its capacity and will become one of the largest sugar operations in the Caribbean when installation is complete.

Coffee, cocoa and tobacco are other important export crops.

Trade with Canada

Canada's exports to the Dominican Republic, while running somewhat behind 1952, are still satisfactory at $2,374,000 for the first seven months of 1953. Foodstuffs such as salt fish and wheat flour are the most important items on the export list. However, because this is an unrestricted market, a wide variety of Canadian manufactures appear in the export figures. The volume is, of course, determined by the size of the market.

Business in the Republic suffered its usual summer lull, but it appears to be gearing itself to the increased tempo of previous falls. The opening of an office of the Canadian Trade Commissioner Service at Ciudad Trujillo last September has proved a help to Canadian traders.

—ALFRED SAVARD
Area Trade Officer for Latin America

Haiti

HAITI'S FOREIGN TRADE has dropped considerably from last year's comparatively high level. Sisal, which was in good demand in 1951 and early 1952, suffered the heaviest reverses but coffee shipments also slumped because of a poor 1953 crop. As a result, there was a general falling-off in imports as well.

Domestic business, while not suffering to the same extent as Haiti's foreign trade, nevertheless was affected, and reduced revenues have forced the Government to curtail expenditures slightly.

One of the encouraging features is the continuing increase in the tourist trade. There is no doubt that this solid dollar-earner will show interesting gains year by year as it has for several seasons back. Also helping in the maintenance of a good reserve of foreign exchange are a number of projects involving investment of capital from the United States.

Haiti's main imports from Canada were foodstuffs, headed by salt dried fish and wheat flour, which find a steady market there. Canada, despite reduced exports to this market in 1953, still comes second as a supplier, next to the United States, which continues to dominate the picture as Haiti's largest source of imports.

The absence of exchange and import restrictions make Haiti a small but steady market for a considerable number of Canadian manufactured goods. It is well to remember that it is, by and large, a price market.

Outlook

The Government, through its five year plan instituted last year, has been undertaking an extensive program of road construction which has been progressing satisfactorily. It has also been encouraging the establishment of new industries by granting certain tax exemptions over varying periods of time. Added to this is the program for agricultural and hydro-electric power development in the Artibonite Valley which, when completed, will give a new stimulus to the economy of the country.

Aided by these public works projects, it is expected that business activity will continue at least at this year's satisfactory rate.

—ALFRED SAVARD
Area Trade Office for Latin America

Puerto Rico

PUERTO RICO's main export crops—sugar and tobacco—have maintained their position as compared with last year. Shipments of rum, at 376 thousand cases for the first half of 1953, are well above those for the similar period last year.

The Puerto Rican Government Development Corporation has continued its efforts to establish in the island an ever-increasing number of secondary industries and has met with considerable success. Business conditions, as a general rule, have therefore been satisfactory, despite some misgivings at the outset of 1953.

An Expanding Market

Since Puerto Rico under its new Commonwealth Constitution still retains its position as a free trade area for United States exports, to a large extent Canada's trade is limited to certain products such as fish and wood and wood products which find a natural market in Puerto Rico. Nevertheless, other food products and a fairly extensive list of manufactured and semi-manufactured goods are finding a continually expanding market there. Sales of Canadian goods reached $4,152,279 in the first six months of 1953, compared with $3,654,712 in the first six months of 1952.

—ALFRED SAVARD
Area Trade Officer for Latin America

Guatemala

- *Favourable trade balance achieved in year 1952.*
- *Import duties higher, government seeks new revenue.*
- *Unemployment and strikes are troubling the country.*

GUATEMALA CITY—Reduced imports and increased coffee sales featured Guatemala's foreign trade in 1952. The coffee crop was a good one and prices were high. The country had its first favourable trade balance since goods started pouring into the country after the war to satisfy the backlog of demand. The trade figures for the first three months of 1953 are repeating those of 1952, though coffee shipments are not up to last year's record.

The following table gives the main features of Guatemala's trade in the last four years:

(in millions of U.S. dollars)

	Exports*	Imports	Trade Balance*	Imports from Canada
1949	$52·2	68·0	—15·8	1·5
1950	67·6	71·2	— 3·6	2·3
1951	76·1	80·8	— 4·7	2·7
1952	87·4	75·7	11·7	2·2

* These statistics do not allow for the true, higher income from the banana industry.

Trade Trends

The drop in imports shown above stemmed from more cautious buying by land-owners and merchants faced with the uncertainties of labour and the agrarian reform. The agricultural equipment and general machinery businesses have been hardest hit. Since the panic of cancelled orders and bank withdrawals when the Agrarian Reform Law was being passed last year, wholesale and retail ordering has recovered but is much reduced. Increasing government expenditures abroad make up for some of the loss of commercial imports. Credit conditions have deteriorated and some caution is advisable. Letter of credit terms are unacceptable because competition is keen, with many suppliers extending credit up to 90 days after arrival of the goods in the country.

Internal Developments

The once flourishing tourist industry in Guatemala has all but come to a standstill. The decline in American tourists seems to indicate a preference for less expensive holiday resorts. Some branches of the retail trade have been hit almost as hard as the hotels. With business retrenching and cutting losses, unemployment has appeared for the first time. Unfortunately, this has coincided with further rises in the cost of living.

Since the enactment of the agrarian law last year, about 300 estates have seen their uncultivated land distributed among the farm workers.

These bananas, raised on a Guatemalan plantation, are being delivered at the shipping shed. Banana exports have declined in the past few years, but the damage done by hurricanes is slowly being repaired.

These lands become the property of the state and are rented to the Indian peasants. The former owners of the land receive payment in special reform bonds and evaluation is based on declared land values for taxation. The law was designed to redistribute land and break up the feudal system which was instituted by the Spanish conquerors four hundred years ago. The law is being applied at a steady pace. The government organization operating the German estates expropriated during the war has been liquidated and all the assets distributed among the Indian campesinos. Thousands of head of cattle have been sold to campesinos on ten-year credit terms.

Decline in Banana Shipments

Banana shipments in 1952 were even lower than in the previous year, when disastrous winds and work stoppages ruined two-thirds of the fruit company's crop. The volume of these shipments has declined from a peak of 13·5 million stems in 1947 to 3·2 million stems in 1952. The company's expenditures remain the same ($14 million a year), irrespective of the actual banana loadings at the port. Its operations in Guatemala have been seriously hindered in the last few years by a series of strikes on the plantations, the railroad and the docks at different times. Spoilage and total loss are certain unless bananas are speeded on the way to market by a smoothly functioning transport system. The plantations were carefully rehabilitated after the hurricane destruction of two years ago. Prospects for 1953 are encouraging; banana shipments have already passed last year's total.

Renewed extreme labour demands and strikes threaten the continued existence of the electric company and the railroad, both of which represent foreign investments of long standing. Domestic enterprises are also having their labour troubles. Both the municipality and the Ministry of Public Works have had to reinstate former employees on orders from the Government, which is very conscious of the new unemployment problem. Since the recent strike, the electric company employees have been ordered back to work at double pay. The government commission supervising and investigating the company's affairs hopes to squeeze out a rate reduction and a pay increase. The railroad workers have voted three to one to strike for the demands proposed by the union. The Government may have to operate this public service also because it cannot afford to have its principal artery of foreign trade stopped.

Government Programs

Following recommendations by the International Bank for Reconstruction and Development in 1951, the Government embarked on a five-year program of highway construction and economic development. The building of the Atlantic Highway to parallel the railroad from the capital to the Caribbean port area is well under way. The work is being carried out by the Ministry of Public Works and the army and the total cost is currently estimated at $20 million. Under a $5 million contract with an American firm, the port of Santo Tomas is to be built as a terminal for the Atlantic Highway. Both projects are scheduled for completion in two years' time. Generally speaking, Santo Tomas will be a twin to Puerto Barrios, which is operated by the fruit company and the railroad. An agrarian bank, formed to provide credit for the new landholders, is to have a capital of $10 million. Various highway extensions are under way and plans are being studied for hydro-electric developments.

The Government has decided to finance these projects as far as possible from current revenue and internal bond issue. Although an income tax law has been under study for several years, the chief sources of revenue are a tax on coffee exports and duties and surcharges on imports. The budget for the current year is now up to $75 million, the highest in history. To balance the budget, many new levies on imports have been introduced but new sources of revenue will have to be tapped in order to balance the budget. A long list of tariff increases went into effect early this year. Imports from certain countries that take very little of Guatemala's produce (e.g., Venezuela, Cuba, Japan, Spain) are now subject to a 100 per cent surcharge, doubling the amount of duty to be paid. Some of the tariff increases already imposed or under study are designed to protect local industries as well as to bring in revenue.

Outlook for Trade

Canadian sales to Guatemala are declining further in 1953. According to DBS statistics, Canadian exports to this country in the first six months of this year were valued at $824 thousand, compared with $1,091 thousand and $1,223 thousand in the corresponding periods of 1952 and 1951. This decline is chiefly due to increasing competition from Europe. European and American suppliers are covering these markets thoroughly and using local advertising and travelling representatives.

The immediate prospects are somewhat uncertain. Guatemala is a rich agricultural country with many other products to export in addition to coffee, the steady dollar earner. Imports will undoubtedly expand again with the growth and progress of the country. Keen competition from the dollar-short industrial nations of the world will continue and probably increase in coming years.

—GLEN A. COOPER
Assistant Canadian Government Trade Commissioner

Costa Rica

GUATEMALA CITY—Costa Rica is enjoying greater prosperity than ever before; 1952 brought record exports and imports and another favourable trade balance. The bumper coffee crop, sold early this year—exports were 40 per cent above last year—has already made 1953 outstanding in the country's history.

Retail prices are steady but wholesale prices have dropped considerably since last year. This is particularly true of the prices for imported textiles and other manufactured goods. Competition for this small but unrestricted dollar market is keen and Costa Rica is now reaping the full benefits of favourable terms of trade.

There have been many notable developments in the last year—new roads and schools were completed, work has started on the new national airport, plans are under way for electric plants which will eventually solve the electricity shortage. All these show the progress which Costa Rica is making. Exchange reserves are increasing, debt is being retired, and prosperity without inflation continues. This year's remarkable coffee crop has come like an extra reward for the efforts of the Costa Ricans. The 1952-53 crop will earn some $36 million U.S. dollars, compared with $25 million from last year's crop.

Agricultural Policy

The objective of self-sufficiency in basic food crops was achieved in 1952 and the newly-won balance in livestock and meat supply was maintained. This is a direct result of the Government's floor price and loan policies in recent years which were designed to encourage the production of corn, beans, rice, cotton and other products which Costa Rica formerly imported to supplement local supplies. The surpluses of sugar and corn were exported at a loss and tobacco production was cut down to domestic requirements. Coffee growers have needed little encouragement from the Government to improve their plantations—world coffee prices have been sufficient incentive.

The Government has not encouraged nor unduly protected uneconomic production of manufactured goods, wheat and flour, lard and vegetable oils. Costa Rica continues to import its needs in these lines. These policies have been an important factor in easing wholesale prices and preventing inflation.

Banana shipments to the United States and Canada are expected to increase substantially when the eastern coastal lands are re-opened to banana planting. Half the value of Costa Rica's exports was the true value of banana shipments in 1952, although the statistical or customs evaluation was much less. In previous years, bananas accounted for an even higher proportion of exports.

The banana company, subsidiary of an American fruit company, plans to spend millions to re-establish banana plantations in the Province of Limon. Panama disease ruined the plantations there some 15 years ago. The company has developed a system of flood fallowing to control the disease and its program will have a buoyant effect on the Costa Rican economy for many years.

Foreign Trade

Imports are expanding in response to foreign exchange earnings, and are free from the artificial restrictions of quotas and bilateral agreements common in many other countries. U.S. dollar exchange is available for imports of all kinds, at the free exchange rate of 6·63 colones to the dollar. The Central Bank grants exchange at the official rate of 5·60 colones for imports of certain articles of prime necessity, such as flour. A few minor export industries which need help are allowed to convert part or all of their dollar earnings on the free market. In 1952, the Bank was able to lower the free market rate from 6·98 to 6·63 colones, reflecting the improved foreign exchange position.

Costa Rica's Foreign Trade

(thousands of U.S. dollars)

	Exports	Imports	Trade Balance
1947	31,064	48,079	—17,015
1948	45,960	42,344	3,616
1949	48,191	43,352	4,839
1950	55,585	46,033	9,552
1951	63,414	55,740	7,674
1952	71,896	67,874	4,022

Trade with Canada

Machinery, appliances, textiles, flour, chemicals, petroleum products and various manufactures are Costa Rica's principal imports. The dominance of United States suppliers in the market (66 per cent in 1951) is slowly giving way to greater competition from Europe. Flour, newsprint and aluminum are the principal items bought from Canada, but sales of Canadian whole milk power, evaporated milk, codfish, leather and copper wire were also notable in 1952.

Canada supplied 4 per cent of Costa Rica's imports in 1952—a 20 per cent rise over 1951. This year Canadian sales have slipped back to 1951 levels of $1 million for the half-year. Many companies could probably increase their sales by giving this small but growing market more personal, on-the-spot attention. The prospects are encouraging.

—Glen A. Cooper
Assistant Canadian Government Trade Commissioner

El Salvador

- *Good coffee crop boosts exchange reserves.*
- *New hydro plant will serve small industries.*
- *Canadian sales not up to 1952 record.*

GUATEMALA CITY—Business and trade conditions in El Salvador have improved and stabilized since 1951. In that year merchants built up excessive inventories, fearing shortages and price increases as a result of the Korean War. Cash and credit were short and payments delayed. The credit rating of the country as a whole improved somewhat in 1952, and for the second half of the year was declared "fairly good" by the U.S. National Association of Credit Men.

Coffee shipments, the mainspring of El Salvador's trade and 90 per cent of her exports, fell off with the smaller crop of 1951-52, but the record yield of 1952-53 more than made up the loss. The prospects for the harvest which begins this month are not encouraging because of untimely rains. Because sales are heaviest from November to May, there is a sharp rise and fall in exchange reserves each year as the following figures of the Central Reserve Bank's gold and foreign exchange holdings show:

(millions of U.S. dollars)

June '51	Dec. '51	June '52	Dec. '52	June '53
\$59·0	\$37·6	\$48·3	\$41·5	\$57·1

Developing Small Industries

Recognizing the dangers of a one-crop economy, the Government's policy is to develop domestic industry, particularly textiles and clothing, and to increase cotton yields. The smallest and most densely populated country on the mainland of the Americas, El Salvador depends on its neighbours and overseas suppliers to make up its food deficit. The intensive development of cotton since the war has provided surpluses for export to Europe. Naturally El Salvador hopes eventually to sell some of its manufactured products in the other Central American countries.

A number of firms have brought in plant equipment duty-free under last year's law for the encouragement of national industries. This law, it is claimed, has promoted the investment of some \$10 million in new plants. Two shoe factories have been opened and when these reach full production they will be looking for neighbouring export markets. The price of cement has dropped below \$2.00 a bag since the opening of the new cement mill. With new cotton mills, the country may soon become self-sufficient in cotton textiles. Plans are now being studied for fish canning and milk dehydration.

The Government is raising a \$2·4 million loan to provide funds for houses for workmen and the middle class group. A number of government construction projects are due to get under way next year, including a modern hotel for the capital if private interests do not build one.

The Rio Lempa hydro-electric project is expected to be generating much-needed electricity for the country some time next year. Many small industries are waiting for this new power to mechanize and expand their operations. The plant will have an initial capacity of 30,000 kw.; another 15,000 kw. generator has already been ordered from Switzerland. The present generating capacity of the Canadian electric company, in small hydro and steam plants, aggregates 15,000 kw. Lempa power will be distributed through the company's system which is to be expanded. This should mean several million dollars in sales of Canadian transformers, meters, insulators and wire over the next few years.

The significance of the Rio Lempa project to the nation is like that of Ontario Hydro to Ontario. It is the largest power plant in Central America. The project was started in 1951 with a loan of $12 million from the International Bank for Reconstruction and Development. Two bond issues within the country have raised $7·2 million. Compare this investment with all other outstanding foreign debt at $8·5 million, and with the government budget of $56·6 million, and the importance of the undertaking is apparent.

Foreign Trade

El Salvador is keenly aware that it can never be self-sufficient, that its exports and its imports must grow and diversify if the standard of living is to be raised. The Government has taken the lead in establishing the Organization of the Central American States and treaties of free trade with Honduras, Guatemala and Nicaragua. El Salvador's recent most-favoured-nation trade agreements with Germany, Spain, France and Italy were designed to even up the trade with these countries, but specifically excluded them from the preferential free trade treatment given by El Salvador to the other Central American countries.

Foreign Trade of El Salvador

(millions of U.S. dollars)

	Exports	Imports	Imports from Canada
1949	55·0	39·5	1·0
1950	69·5	47·2	1·4
1951	85·5	63·8	2·0
1952	88·3	67·8	2·3

The United States looms large in El Salvador's foreign trade, taking 75 per cent of the exports and supplying 63 per cent of the imports in 1952. But European suppliers are increasing their share of the market; even with the 6 per cent increase in total imports in 1952, imports from the U.S. fell by 12 per cent. Canadian exporters did well in El Salvador in 1952 but in the first half of this year their sales dropped to 1951 levels.

Leading Canadian Exports to El Salvador in 1952*

(thousands of Canadian dollars)

Flour	664
Newsprint	297
Aluminum	194
Machinery	135
Malt	125
Tires	120
Electric meters	88
Transformers and insulators, copper wire	76
Upper leather	55
Asbestos	42

* D.B.S. figures.

The lack of a direct shipping connection with Eastern Canada has hindered trade. European lines have been increasing their direct services to the Pacific ports of Central America and Japanese ships are beginning to arrive. A Nicaraguan line has undertaken a service from New York and New Orleans to these ports with three small chartered ships. The expensive overland rail haul from Guatemala's Caribbean port can now be avoided, as well as the delays and inconvenience to the customer of trans-shipment in Panama. Further expansion of this service would benefit Canadian exporters.

El Salvador has signed a contract with an American firm for construction at the port of Acajutla which will greatly increase its facilities and help the country to develop its foreign trade. Better facilities at Acajutla may also reduce the traffic on the International Railroad of Central America between El Salvador and the Guatemalan port of Puerto Barrios on the Caribbean.

In spite of a reduced yield from coffee this coming year, the long-term prospects in El Salvador are promising. Canadian sales to this country, particularly of electrical goods, could rise too if our delivered prices meet the competition.

—GLEN A. COOPER
Assistant Canadian Government Trade Commissioner

Mexico

- *Last twelve months have seen slight recession.*
- *Export prices have fallen and demand slackened.*
- *Outlook now is for continued economic expansion.*

MEXICO, D.F.—The last twelve months in Mexico have proved to be a period of consolidation and, in some cases, retrenchment in most phases of economic life. The business recession has stemmed from deliberate government action, from climatic conditions, from the lessening international demand for Mexico's raw materials, and from a decline in the tourist industry.

The administration of Ruiz Cortines has, since it took over in December 1952, imposed a deflationary policy. Government spending on public works has been kept to an absolute minimum, price controls on basic commodities have been rigidly enforced, import duties on luxury items have been raised, restrictions on bank credit have been extended, and government-backed securities pushed in an effort to attract idle public funds.

For the third successive year, the northern sections of Mexico have experienced a severe drought and even areas under irrigation have a shortage of water. The corn and bean crops this year are unusually small and the country's requirements will, in all probability, have to be met by imports. Cotton, Mexico's principal agricultural export, will be about 170 thousand bales below last year's crop and 350 thousand bales below the record crop of 1951.

An outbreak of foot and mouth disease near Veracruz in May of this year has closed the U.S. border once more to 400 thousand head of Mexican cattle a year and it is difficult to foresee when this market will again be available to Mexican cattlemen. New markets will have to be found for frozen beef and canned meat and Europe seems to offer the best sales prospects.

Export Prices Fall

Copper, lead and zinc contribute about one-quarter of the total value of Mexico's exports. For the first five months of 1953, copper production increased by about ten per cent over the same period of 1952, and the export value was about 20 per cent higher. Lead production increased about 8 per cent and zinc production fell about 22 per cent. The export values of zinc and lead, however, fell 49 per cent below the 1952 rate.

Lower export prices and a fall in demand are also apparent in cotton, vegetable fibres and textiles. With cotton accounting for one-fifth and copper, lead and zinc for one-quarter of Mexico's total exports, any fluctuation in world demand or prices for these products seriously affects Mexico's exports.

Tourist Industry Depressed

Tourist entries into Mexico fell from 208,181 for the first six months of 1952 to 190,218 for the same period in 1953. Diversion of tourists to the Coronation and adverse publicity abroad about overcharging in tourist centres are the reasons given for the decrease. Tourists' purse strings have also tightened and the revenue from this industry is probably down more than the figures might indicate.

Retail and Wholesale Trade

Retail and wholesale trade for the first half of this year continued to lag behind last year's level. With declining wholesale and retail prices, merchants have not ordered and manufacturers' sales have been poor, with heavy inventories. Sluggish collections and tight credit control have slowed up turnover at both the retail and wholesale levels.

Foreign Trade Down

Merchandise imports into Mexico dropped from 3,352 million pesos in the first half of 1952 to 2,903 million pesos in the first six months of 1953. Similarly, exports have fallen from 2,462 million pesos to 2,319 million. The unfavourable trade balance, however, has decreased from 890 million pesos for the first six months of 1952 to 584 million pesos for the same period this year.

Mexico normally runs a deficit trade balance which is usually compensated for by tourist income, remittances from Mexican farm workers in the United States, capital investment from abroad, gold sales, and drawings on foreign loans. For the first four months of this year it is estimated that, on current account transactions, Mexico improved its holdings of gold and foreign exchange by 125 million pesos.

The United States continues to be Mexico's principal market, buying about 93 per cent of foreign shipments. It is also the most important supplier, the source of about 82 per cent of the country's total imports. Canada normally supplies about 2½ per cent and purchases about the same percentage of Mexico's total exports.

Canadian-Mexican Trade Drops

Reflecting the lower level of Mexican foreign trade during the first half of this year, Canadian-Mexican trade too shows a substantial decrease. Exports to Mexico for the first six months of 1953 totalled \$12·5 million, down substantially from the \$20·6 million for the same period of last year. Canadian products with decreased sales in Mexico so far this year include rubber belting, cotton fabrics, sulphate and sulphite pulp, newsprint, ferro-silicon, agricultural machinery and implements, automobiles and parts, copper tubing and copper wire, transformers and electric meters.

A few products, however, have registered substantial gains over last year. These include whisky, rubber hose, furs, skim milk powder, steel bars, aluminum, drugs and chemicals, fresh eggs.

Similarly imports into Canada from Mexico for the first five months of 1953 totalled \$9·2 million, down from \$12·1 million for the same period in 1952. Commodities that have registered the sharpest declines are fresh tomatoes, raw cotton, sisal and tampico fibres, crude petroleum, copper in verdigris. Peanuts, canned pineapple, coffee, fluorspar, fresh vegetables and oranges have shown substantial gains.

Business Outlook Encouraging

Business in Mexico has experienced rough going the last eight or ten months but the outlook for the future is more encouraging. The recession has been fostered to a large extent by the cautious economic policy of the present administration and the signs indicate that Mexico is preparing once more to continue its economic expansion and its drive to raise the standard of living. Provided climatic conditions improve during the next few months, there is no doubt that the Mexican economy will move in this direction.

Financial Position Strong

Gold and dollar holdings have improved steadily so far this year and at the end of May stood at \$277 million, up \$8 million in five months. The improvement came principally from a wider application of import controls, increased duties on luxury items, and the restriction placed on the obtaining of credits abroad by private banks, to prevent the accumulation of drafts collectible in foreign currency.

In June the Peso Stabilization Agreement with the United States was renewed, under which the United States Stabilization Fund undertook to buy up to \$75 million worth of pesos should the need arise. The extension of this agreement for 2½ years, stabilizing the rate at 8·65 pesos to the United States dollar, should encourage the investment of foreign capital in the country.

Agricultural production in Mexico has not kept pace with the rapid growth of industry and the Administration hopes now to make Mexico self-sufficient in food products and to raise the standard of living of the agricultural population to provide a larger consuming public for industrial products.

For this purpose, the Federal Government will invest a record 1,800 million pesos in agriculture, with particular emphasis on increased production of wheat, corn, sugar and beans. Private banks will also participate.

Funds for Public Works

Funds to complete productive public works now at various stages are available but work on non-productive public works is at a standstill. Plans are under way for additional projects such as irrigation, roads and public housing and already considerable sums have been allocated.

Other projects mentioned include extensive harbour improvements and installations, the creation of a merchant marine, and increased production and distribution of electrical energy. Pemex, the government oil monopoly, is intensifying its oil exploration, adding new refinery facilities, integrating its oil and gas pipe networks and adding new oil tankers to its fleet. The National Railways of Mexico is adding new mileage, rehabilitating its existing track, and purchasing new rolling stock. Several hundred buses and trackless trolleys will be needed in the Federal District of Mexico during the next year.

To encourage exports, the export tax on more than 500 items has been reduced or rescinded. The mining industry, which was handicapped by heavy taxation, has seen some measure of taxation relief given to the smaller mines, which account for about 20 per cent of Mexico's mineral production. Now a relaxation of taxation throughout the whole industry is being considered.

The unions have co-operated with the Administration during its period of readjustment and strikes have been few and usually settled promptly through government intervention. Some unemployment has occurred in the northern states, principally because of the drought in those areas. Wages have moved upward and with a decrease in the cost of living, living conditions for labour have become somewhat better.

Attractive but Competitive Market

Mexico imports approximately $800 million worth of goods each year, and with no foreign exchange control and an excellent credit rating, deserves the closest attention from the Canadian exporter. The market in Mexico for consumer goods is practically non-existent, but for raw materials, semi-fabricated products, machinery, capital equipment and chemicals, the demand is good. Competition from the United States, Britain, Europe and Japan is keen, and liberal terms of payment are often the deciding factor. Within the above limits, Mexico should prove to be a fertile and active market for Canadian firms which will take the time and effort to study requirements. Mexican-Canadian relationships continue very good and, all things being equal, Mexican business welcomes the opportunity to trade with Canada, either as an importer or an exporter.

—S. G. Tregaskes
Assistant Commercial Secretary for Canada

Peru

- *Progress continued in first half of this year.*
- *Production, imports and investment remain high.*
- *Petroleum industry is exploiting large new areas.*

LIMA—In the first six months of 1953, Peru's economy continued the notable progress made in 1952 although there was a levelling-off in many fields. In spite of the drop in the prices of mineral and agricultural exports, production increased, new businesses were established, and many industries were operating close to 1952 levels. Despite government warnings and appeals for moderation, imports continued to rise and the balance of payments was slightly more unfavourable. The market is free but highly competitive, with most business done on terms.

Exchange rates, which have varied little since they were allowed to find their own level in 1951, have reacted unfavourably to this lack of balance. To counteract this tendency the Government restricted credit by requiring banks to double their legal cash holdings for term and sight deposits. Nevertheless, demands for credit still exceed the banks' facilities. Consumer credit was also restricted by limiting payments on instalment sales to 12 months. This, in turn, should tend to reduce imports of consumer goods, particularly since present stocks are considered excessive.

Foreign investment in both cash and capital equipment in the mining and petroleum fields is still high. The first test wells are now being sunk in the Sechura Desert area and the results are awaited with great interest. If favourable, they will probably set off an even greater wave of investment and activity. Foreign companies have filed for large new petroleum concessions in eastern Peru and in the southern coastal area.

Agriculture Reports

The cotton acreage is above average but the crop has suffered from disease and damage. The yield is estimated at about 100 thousand tons and prices have remained firm. Sugar exports for the first six months of 1953 were 148,283 metric tons, a considerable increase over the 113,975 metric tons exported in the same period in 1952. However, this increase in volume was nullified by a decrease in price. The rice crop is good and there should be a sizable surplus for export. This will be sold through tenders called by the Government.

The government irrigation projects are going ahead and by the end of the year some 20,000 hectares of new land should be under cultivation. Negotiations are under way with an American firm to construct a much-needed highway into the interior in return for a tract of the land which the road will open for colonization. If the project goes through, it may provide a new and inexpensive way to open up more of Peru's unexploited and rich hinterland.

With the sharp drop in the world prices for lead and zinc, production of these metals became less profitable. This, coupled with the Simpson proposal in the United States Congress to increase the U.S. tariff on these commodities, caused some concern. Recently, however, prices have firmed and the Simpson proposal was rejected by the U.S. Congress. Mining at the government-owned Marcona iron ore deposits has started on a large scale and by 1954 should reach 200 thousand tons a month.

Oil Exploitation Continues

Petroleum production for the first three months of 1953 was 3,910,490 barrels. The petroleum industry is of prime interest in the country. Foreign oil companies are filing on even more potential oil acreage in the Amazon jungle area where, last fall, only a few companies filed for small concessions; now large areas have been blanketed. Sizable concessions have also been taken in the southern coastal region near Ica. The International Petroleum Company, which produces more than three-quarters of Peru's petroleum, is reported to be enlarging its refinery at Talara.

Foreign Trade

Final statistics show that in 1952 Peru imports were valued at 4,473 million soles ($270 million), and exports were valued at 3,686 million soles ($230 million). Canada ranked third among the supplying countries with soles 298 million ($18 million). The United States was first with soles 2,511 million ($156 million), and the United Kingdom second with soles 407 million ($25 million). Canada's imports from Peru amounted to $8 million. (D.B.S. figures).

Trade with Canada

In the first three months of 1953, imports into Peru exceeded exports by $29 million, compared with a $15 million deficit in 1952. In the first six months of 1953 Canada supplied products to a value of $9 million, an increase from $8 million in 1952, and imported from Peru in the first five months of 1953, $688,000 (in 1952, $2,780,000). Canada's principal exports to Peru were wheat, automobiles and trucks, malt and machinery; leading imports from Peru were metal ores, canned fish and raw cotton.

The activity of foreign exporters anxious to sell in this free dollar market, coupled with the already high inventories and the shortage of consumer purchasing power, make the Peruvian market a most competitive one. Very little business is now done on a letter of credit basis; sight draft, 30 and 60-day terms are common, with up to two years on capital goods. When terms are granted, the financial status and integrity of the customers must be carefully checked in advance.

The 1953 Government budget provided, through special accounts, a means of reducing expenditures if revenues were not up to estimates. Already there has been a cut-back in public works expenditure, principally because of a reduction in the income from export tax.

The National Association of Industries reports that 500 new industrial firms were formed in 1952 with a capital investment of about 250 million soles, bringing the number of plants in the country to over 4,000. The Government has passed several protective tariff increases to foster or assist the national industry, but as yet Peru produces only a very small proportion of the manufactured goods it needs.

The cost-of-living index continued to rise gradually, principally because controlled selling prices on meat and milk were abolished. As a result, the scarcity of these commodities has been alleviated. There have been no serious labour troubles because wage increases have compensated for increased living costs.

—HARRY J. HORNE
Commercial Secretary for Canada

Bolivia • • •

LIMA—The Bolivian economy, which is based principally on the production and sale of tin, has been adversely affected by the sharp decline in tin prices. In October 1952 the mines owned by the Patiño, Hochschild and Aramayo interests were nationalized. The transition to public ownership was effected with a minimum of confusion, with compensation paid to the former owners on a sliding scale tied to the price of tin. Comparative figures are not available but observers estimate that production of the nationalized mines has dropped from 5 to 20 per cent. The following table gives the production for the first six months of 1953 of the nationalized mines now operated by the Corporación Minera de Bolivia, and the exports from the small and medium-sized mines for the same period.

MINERAL PRODUCTION JANUARY-JUNE, 1953*

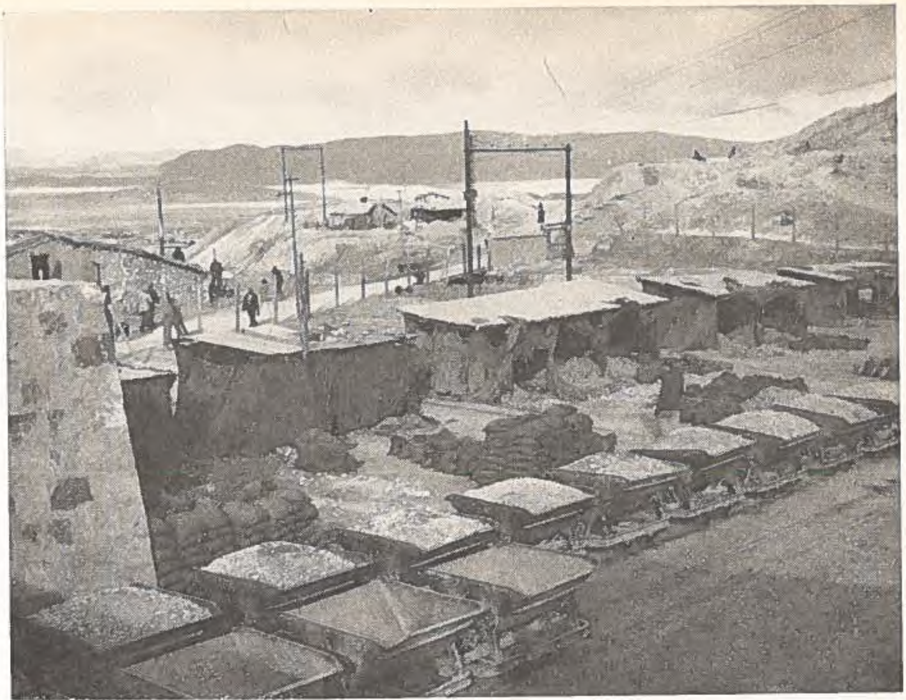
	Exports of the small and medium sized mines	Production of the nationalized mines	Total
Tin	2,437,252	13,181,975	15,519,227
Zinc	403,430	10,699,354	11,102,784
Wolfram	643,377	510,928	1,154,305
Silver	8,232	79,132	87,364
Lead	7,901,468	4,835,746	12,737,214
Copper	166,612	1,819,555	1,986,167
Bismuth	....	30,150	30,150
Gold (grams fine)	1,982	7,233	9,215
Estañita (Stonite)	....	150,513	150,513
Antimony	2,893,996	....	2,893,996
Asbestos	166,044	....	166,044
Sulphur	756,200	....	756,200

* Figures from unofficial sources, in kilograms fine.

Since nationalization, the world price of tin has fallen from over $1.20 to less than 80 cents per pound. It is estimated that from $500 thousand to $700 thousand in foreign exchange is lost for every cent the price of tin falls. Because Bolivia normally must spend about $50 million a year on the import of foodstuffs alone, the seriousness of the present position is apparent, particularly as foreign exchange reserves are nearly depleted.

In August the Government issued an Agrarian Land Reform Bill which in essence will give land workers title to the land they till for their own use. In addition. large areas of privately owned but unworked land will also be divided up.

Purchasing is centered in the Corporación Minera for the nationalized mines, the Ministry of National Economy for essential bulk foodstuffs, the



—UN Photo

Ore from the San Jose tin mines, waiting to be bagged and shipped. Bolivia's economy depends heavily on tin, but production appears to have dropped since the mines were nationalized in October 1952.

Banco Minero for the smaller mines and the Banco Central for other importers. Import licences are granted after considering the availability of exchange, essentiality of the product, quality, price, and terms of payment.

Articles of prime necessity to keep the mines and essential services operating and foodstuffs are the only goods for which import licences and exchange are being granted. Many factories dependent on outside sources for raw materials are closed down or working part-time. Only an increase in tin prices, foreign loans or gifts, or the inflow on a large scale of foreign investment capital will improve the situation.

In the first three months of 1953, Canada sold goods—practically entirely wheat—worth \$1,794,217 to Bolivia (same period 1952—\$1,816,-285). Bolivian exports to Canada were valued at only \$289,738 (1952—\$1,315,883) and consisted chiefly of ores of metals. Estimates are that Bolivia will require the following foodstuffs: 40,000 tons of sugar; 95,000 tons of wheat; 2,000 tons of lard; 1,300 tons of cooking oil; 11,000 tons of rice and 1,270 tons of powdered milk.

Canadian exporters, particularly those interested in exporting the above goods, should have active agents appointed and keep in close touch with them. Many tenders are being called and offers requested on short notice for these bulk supplies which the Republic needs.

—Harry J. Horne
Commercial Secretary for Canada

Venezuela

- *Oil output curtailed slightly in early '53.*
- *Many foreign firms setting up branch plants.*
- *Foreign trade achieved a new record in 1952.*

CARACAS—The Venezuelan Government completed the fiscal year ended June 30th, 1953, with a $26 million surplus despite a record budget of $690 million. The official estimate of income and expenditure for 1953-54 has been set at $708·6 million, an increase of 2·6 per cent over last year. Revenue from the petroleum industry accounts for more than 60 per cent of national income, and with the demand in world markets for Venezuelan oil remaining strong, the Government expects to forge ahead with its development program aimed at a more diversified economy.

Oil Production Declines

Following the crude oil production peak of 1,803,000 barrels a day for 1952, there was a slight decline in the early months of 1953. This decline was caused by the voluntary curtailment of output by local companies, resulting from the threat of restrictions on petroleum imports into the United States. This cloud on the economic horizon of Venezuela now appears to have passed for the present year at least and it is probable that the 1953 daily average will be close to 1,750,000 barrels. This production is sufficiently high to ensure a good income and to provide ample foreign exchange to pay for the country's imports.

Industrial Development

Government assistance to national industries through higher tariffs and import quotas is having the desired effect on expanding Venezuelan industrial production. Outstanding progress in the manufacture of cement was made during the past year and production by the end of 1953 is expected to reach 925 thousand tons—equalling present demand. Other industries registering satisfactory increases were rayon textiles, tires and tubes, matches, beer, soft drinks, detergents, biscuits, hosiery, powdered milk, and the assembly of automobiles.

The Government's policy of protecting national industries has meant that a growing number of foreign firms who have had substantial export trade with Venezuela in the past are establishing branch plants there. A large United States manufacturer of tin cans began operations at a new plant in August. Initial production at another animal feed plant and at Venezuela's second tire and tube factory is expected within two months. In addition, other U.S. firms have signified their intention of establishing factories to produce paint, batteries, plastic articles, razor blades, paper products and pharmaceuticals. An important British firm has also announced it will shortly open a paint factory in the Caracas area.

There is much interest in the proposal for a national steel industry. Many Venezuelans dislike the prospect of their country's iron ore resources being exported and returning as costly imports after being processed abroad. Detailed studies are under way to solve the problem of the economical local reduction of iron ore. A group of Venezuela's leading businessmen have formed an organization for this purpose and have received the promise of technical aid from a large United States steel company. Venezuelans feel that a steel industry would be a major step towards industrialization and would reduce their dependence on foreign suppliers. Financial, technical and material assistance have already been offered by German-Swiss steel interests.

A characteristic of the trend to establish branch plants in Venezuela has been the association of foreign and local firms on an equal basis, and the Venezuelan firm usually chosen has been the foreign company's distributor for many years. In other cases, the manufacturer supplies only patent rights and technical assistance in exchange for a royalty on production. Venezuelan businessmen are becoming increasingly interested in new industrial investments; formerly they favoured only real estate speculation or established business.

Agriculture and Fisheries

Venezuelan agriculture made good progress during the past year, particularly in coffee, corn, rice, and sugar production. The Government continues to support strongly this branch of the national economy and plans further aid to increase the rice, corn and sugar crops. Credits will

—Venezuelan Ministry of Education

Venezuelan fishermen at Margarita Island haul in their nets. Commercial catch for 1952 totalled about 50,000 metric tons, the same as in 1951.

be granted to producers to buy the necessary machinery and materials. Self-sufficiency in basic foodstuffs is still several years away, however, and food purchases continue to form about 16 per cent of total Venezuelan imports, with flour, oats, malted barley, potatoes, fruits, eggs, and powdered milk bulking large.

The 1952 commercial catch of the Venezuelan fishing industry, totalling 50,564 metric tons, was approximately the same as in 1951. The low import duties on canned sardines and salmon were raised to 28 cents per gross pound through the United States-Venezuelan Trade Agreement of August 1952. This action has reduced Venezuelan imports of canned sardines to one-third of their former level, thus aiding the national sardine industry. Imports of canned salmon, however, amounting to 174 thousand kg. in 1952, continued at the same rate as in previous years. Codfish imports, which also pay a 28 cents per pound duty, increased from 460,708 kg. in 1951 to 480,277 kg. in 1952.

Mineral Production

Apart from oil, increased iron ore production was the oustanding mining development during the past year. The single producer, a subsidiary of the Bethlehem Steel Company of the United States, shipped two million tons of ore to the parent plant in 1952 and expects to reach 2·5 million tons by the end of 1953. The U.S. Steel Company subsidiary in Venezuela recently announced that initial exports to the United States from its iron ore deposits in the State of Bolivar will begin early in 1954.

Gold production is still very low (149 kg. in 1952 compared with one million kg. in 1950) but Venezuela's principal gold mines, inactive since their expropriation by the Government in 1951, have now been reconditioned and were recently re-opened. Gold output by the end of the current year will therefore probably increase substantially over 1952. Diamond production in 1952 amounted to 98,280 carats compared with 63,747 in 1951.

Transportation Developments

The super highway from Caracas to the sea and to airports on the coast, under construction for the past three years, is expected to be ready for use in early 1954. This highway is only 14 miles long but is being built through mountainous terrain and has included the construction of two long tunnels and three large viaducts. On completion, merchandise arriving at the port of La Guaira will be able to reach the country's principal market much more easily than was possible using the old mountain route.

In the absence of an adequate national railway system, highway construction throughout the year continued to receive priority treatment from the Government. Over 300 miles of new highways were added during the past twelve months, 200 miles of which were paved.

The Government has also been strengthening its air transportation services and airport facilities. Two British Comet jet planes and two U.S. Super Constellations have been purchased by the national airline, Linea Aeropostal Venezolana, to service the additional international flights recently inaugurated by this company.

After many conferences aimed at keeping the three countries together in the Greater Colombian Merchant Fleet, Venezuela decided in August 1953 to withdraw, leaving Colombia and Ecuador to continue operation of this line. The desire of Colombia for high freight rates on imported goods conflicted with Venezuela's interest in low rates and this was the basic cause of the separation. Venezuela intends tc add the ships received from the Fleet to those of the Venezuelan Navigation Company and service will be expanded under the latter's name.

Telephones Nationalized

The nationalization of telephones was announced in August. The British company which had been operating the system in Venezuela for nearly 25 years decided to sell its stock to the Government after the Venezuelan authorities granted a contract for the provision of 60,000 new telephone lines to a German firm. The $38 million contract with the German company calls for installation of the new lines to be completed in not less than three years.

Foreign Trade at Record Level

The year 1952 was a record one for Venezuelan foreign trade. Exports of $1·4 billion were $97·5 million higher than in 1951 and imports, at $720 million, were only $117 million less than in 1948, the peak year for imports. The United States in 1952 supplied 68·4 per cent of Venezuela's foreign purchases followed by the United Kingdom with 7·5 per cent, Canada 4·6 per cent and Germany 3·3 per cent. Canada's share was valued at $35·7 million, an increase of $8·7 million over 1951.

German competition increased strongly in 1953, and for the first five months Germany had a slight edge on Canada, with 4·5 per cent of Venezuela's imports, compared with 4·1 per cent for Canada. The United States was maintaining its position as leading supplier with 67 per cent and the United Kingdom was in second place with 7·8 per cent.

Outlook

Although production and exports of petroleum—the main sources of strength in the Venezuelan economy—are this year running slightly below last year, the indications are that 1953 will prove to have been one of general prosperity for Venezuela. Government expenditures continue high and the machinery and raw material requirements for new industries will help to offset the smaller volume of foreign purchases for certain finished goods. The total amount of imports in 1953 will probably be approximately the same as in 1952. Venezuela should continue to prove an attractive dollar market for Canadian exporters prepared to meet and overcome the prevailing strong competition.

—J. A. Stiles
Commercial Secretary for Canada

For Information on . . .	Write to
LATIN AMERICA	*A. Savard, Area Trade Officer for Latin America, Department of Trade and Commerce, Ottawa.*
ARGENTINA	*C. S. Bissett, Commercial Counsellor, Canadian Embassy, Bartolome Mitre 478, Buenos Aires.*
BOLIVIA	*(See Peru)*
BRAZIL	*C. R. Gallow, Commercial Secretary, Canadian Embassy, Caixa Postal 2164, Rio de Janeiro.*
	C. J. Van Tighem, Consul of Canada and Trade Commissioner, Canadian Consulate, Caixa Postal 6034, São Paulo.
CHILE	*M. R. M. Dale, Commercial Secretary, Canadian Embassy, Casilla 771, Santiago.*
COLOMBIA	*W. J. Millyard, Commercial Secretary, Canadian Embassy, Apartado Aereo 3562, Bogotá.*
COSTA RICA	*(See Guatemala)*
CUBA	*A. W. Evans, Commercial Secretary, Canadian Embassy, Apartado 1945, Havana.*
DOMINICAN REPUBLIC	*R. E. Gravel, Canadian Government Trade Commissioner, Apartado 451, Ciudad Trujillo.*
ECUADOR	*(See Colombia)*
EL SALVADOR	*(See Guatemala)*
GUATEMALA	*J. C. Depocas, Canadian Government Trade Commissioner, P.O. Box 400, Guatemala City.*
HAITI	*(See Dominican Republic)*
MEXICO	*M. T. Stewart, Commercial Counsellor, Canadian Embassy, Apartado 126-Bis, Mexico, D.F.*
PARAGUAY	*(See Argentina)*
PERU	*H. J. Horne, Commercial Secretary, Canadian Embassy, Casilla 1212, Lima.*
PUERTO RICO	*(See Dominican Republic)*
URUGUAY	*(See Argentina)*
VENEZUELA	*J. A. Stiles, Commercial Secretary, Canadian Embassy, Apartado 3306, Caracas.*

Trade Commissioners on Tour

FROM TIME TO TIME Canadian Trade Commissioners return to Canada to bring themselves up-to-date on conditions in this country and to renew their contacts with businessmen here. Details of their itineraries appear regularly under this heading, as a service to exporters and importers who would like to discuss trading problems with them.

E. H. Maguire, Canadian Government Trade Commissioner in Madrid, Spain, is beginning a tour of Canada in Vancouver and Victoria, September 30-October 5. His itinerary is:

Edmonton—October 6-7
Winnipeg—October 9
Sarnia—October 13
Windsor: Walkerville—October 14
Toronto—October 15-20
Montreal—October 21-26
Ottawa—October 27-November 4
St. John's (Nfld.)—November 7

D. S. Armstrong, Canadian Government Trade Commissioner in Singapore, began a tour of Canada in Ottawa, September 1-4. He will visit Toronto, October 19-24.

R. P. Bower, Commercial Counsellor for Canada in London, will begin a Canadian tour in Vancouver, October 5-9. His itinerary is:

Vancouver—October 5-9
Edmonton—October 13-14
Calgary—October 15
Regina—October 16
Winnipeg—October 19-20
Niagara Falls—October 22-23
Hamilton—October 26-27
London—October 28
Windsor—October 29
Sarnia—October 30
Toronto—November 2-13
Ottawa—November 16-20
Montreal—November 23-December 4

J. C. Depocas, Canadian Government Trade Commissioner in Guatemala City, began a tour of Canada in Quebec City on August 17. He will visit Montreal, September 30-October 10.

T. R. G. Fletcher, Canadian Government Trade Commissioner in Hong Kong, began a tour of Canada in Ottawa, June 29-July 10. His itinerary is:

Calgary—October 1
Edmonton—October 2
Vancouver—October 6-19
Victoria—October 20

G. F. G. Hughes, Canadian Government Trade Commissioner in Beirut, began a tour of Canada in Montreal, September 8-15. His itinerary is:

Brantford—September 29
London—September 30
Vancouver—October 1-7
Edmonton—October 8
Winnipeg—October 9
Ottawa—October 13-16

T. J. Monty, Commercial Secretary for Canada in Brussels, Belgium, began his Canadian tour in Montreal, August 24 to September 4. His itinerary is:

Vancouver—October 5-10
Winnipeg—October 13-14
Ottawa—October 16-17

J. H. Stone, Assistant Commercial Secretary for Canada in Paris, began a tour of Canada in Montreal, August 31-September 4. His itinerary is:

Hamilton—October 1
St. Catharines: Welland—October 2
Windsor: Walkerville—October 5
Sarnia—October 6
Kitchener—October 7
Preston: Brantford—October 8
Guelph—October 9
Ottawa—October 12

Paul Sykes, Canadian Government Trade Commissioner in Ceylon, begins a tour of Canada in Quebec City on October 5. His itinerary is:

Quebec City—October 5
Moncton—October 8
New Glasgow: Trenton—October 9
Halifax—October 14
Saint John—October 16
Montreal—October 19-24
Toronto—October 26-31
Hamilton—November 2
St. Catharines: Welland—November 3
Brantford: London—November 4
Windsor: Walkerville—November 5
Brockville: Kingston—November 6
Ottawa: Pembroke—November 9-10

Businessmen in the various centres may get in touch with these officers through the following organizations:

Board of Trade—Brantford, Guelph, Halifax, Montreal, New Glasgow, Saint John.

Chamber of Commerce—Arvida, Brockville, Calgary, Hamilton, Kingston, Kitchener, London, Niagara Falls, Peterborough, Preston, Quebec, Regina, St. Catharines, Sarnia, Welland, Windsor.

Canadian Manufacturers Association—Edmonton, Moncton, Toronto, Winnipeg.

Department of Trade and Industry—Victoria.

Department of Trade and Commerce—Ottawa, Vancouver (355 Burrard Street) and St. John's (Stott Bldg).

Trade and Tariff Regulations

COLOMBIA

Additional Goods Removed from the List of Prohibited Imports—In keeping with its previously stated intention of reducing the list of prohibited imports (introduced on March 20, 1951) as foreign exchange reserves improved, the Colombian Government recently announced that certain types of merchandise may now be imported as follows:

With Dollars Purchased at Official Rate of Exchange

Aluminum pressure cookers and milk pails.

With Dollars Purchased on the Free Market (which are currently about 30 per cent above the official rate)

Edible mushrooms

Sugary foodstuffs other than molasses or confectionery, n.o.p.

Stuffed olives in barrels

Non-tropical concentrated fruit juices packed in sizes not designed for the retail trade

Sauces and similar relishes but not concentrated or powder relishes

Cigars

Billiard tables

Calendars

Parts and materials for artificial flowers

Illuminating glassware and their parts or accessories other than chimneys, reflectors, globes, etc.

Cut synthetic stones without settings

Fancy decorative articles of ordinary metals for home or office

Lamps, hanging lamps, lanterns and chandeliers of iron or steel

Other lighting fixtures of ordinary metal other than lamps

Inland boats with engines or propulsive machinery weighing less than 200 kilograms

Sailboats

Non-mechanical toys of an educational nature

Parlour games and equipment, except billiard and table tennis balls

Smoking pipes and pipe bowls

Cigar and cigarette holders, mouthpieces, tubes and other loose parts for smoking pipes and holders

Articles and accessories for Christmas trees.

(NOTE—The importer must make a 10 per cent deposit when applying for import permits for these goods.)

Foreign Exchange Rates

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

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

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

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

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

For conversion to United States dollar equivalents multiply by 1·01587.

Country	*Unit*	*Type of Exchange*	*Canadian dollar equiv. Sept. 17*	*Notes (See below)*
Argentina	Peso	Preferential buying	·1312	
		Basic buying	·1969	
		Preferential selling	·1969	(1)
		Basic selling	·1312	
		Free	·07086	
Austria	Schilling		·03786	
Australia	Pound		2·2050	
BelgiumLuxembourg & Belgian Dependencies	Franc		·01975	
Bolivia	Boliviano	Official	·00518	
British West Indies	Dollar		·5742	(3)
	Pound		2·7562	(4)
	Dollar	Brit. Honduras	·6890	
Brazil	Cruzeiro	Official	·05321	tax 8%
		Free	·02504	(2)
Burma	Kyat		·2067	
Ceylon	Rupee		·2067	
Chile	Peso		·00895	
Colombia	Peso	Basic	·3937	
Costa Rica	Colon	Official	·1753	(5)
		Free	·1482	*
Cuba	Peso		·9844	tax 2%
Czechoslovakia	Koruna		·1367	
Denmark	Krone		·1425	
Dominican Republic	Peso		·9844	
Ecuador	Sucre	Official	·06563	(6)
		Free	·05690	
Egypt	Pound		2·8267	
Fiji	Pound		2·4831	
Finland	Markka		·00428	
France	Franc		·00281	
French Africa	Franc		·00563	
French Pacific	Franc		·01548	
Germany	D Mark		·2344	
Greece	Drachma		·000033	
Guatemala	Quetzal		·9844	
Haiti	Gourde		·1969	
Honduras	Lempira		·4922	
Hong Kong	Dollar	Free	·1658	*Sept. 4
Iceland	Krona	Official	·06044	
		Special buying	·04654	
		Special selling	·03750	
India	Rupee		·2067	
Indonesia	Rupiah	Basic	·08635	(7)
		Dollar certificate	·00186	*

* Latest available quotation date.