



foreign trade

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COVER . . . Camels, sand dunes and the desert stretching into the far distance are typical of many of the countries covered in this issue, which outlines business conditions in 17 countries of Asia, Africa and the Middle East during the last twelve months.

—UN Photo

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Going to market in Indonesia, where Canada sold \$1.6 million worth of goods in the first nine months of 1953.

By Way of Introduction . . .

OTTAWA—This quarterly issue of *Foreign Trade*, covering non-Commonwealth countries in Asia, Africa and the Middle East, includes a vast territory of singular interest to Canada because of potential future developments.

With the exception of Japan, which is our third largest market and has achieved a high degree of industrialization, the remainder of the countries reviewed here are generally considered among the “under-developed” areas. For this reason, they may perhaps have been neglected by many Canadian exporters.

The many postwar manifestations of interest in such territories—Technical assistance under the United Nations, the U.S. Point Four program, Canadian participation in the Colombo Plan—indicate a growing awareness of their importance, both politically and economically.

Vast irrigation schemes are contemplated in many of these countries. In many they will be linked with the production of electric power, in all they will require greater agricultural mechanization to achieve their full fruition. In countries where other natural resources are available, plans are frequently beyond the blueprint stage. Finally, in the social sphere, new schools and hospitals and the provision of greater amenities are on the drafting boards.

This preamble perhaps places too much emphasis on the future and not enough on the immediate prospects. If one examines Canadian trade statistics, he will find that the seventeen countries under review in this issue, plus a few others, bought \$140 million of Canadian goods during

the first 10 months of 1952—at an annual rate of about \$170 million. The most notable fact about this volume of trade is perhaps not so much the absolute figure as the increase of 15 per cent over the first ten months of 1952. This trend is contrary to that of Canadian exports to the rest of the world, which have actually gone down to some degree during the same period.

Trade Prospects Bright

Some of this trade undoubtedly arose from special circumstances. Japan, for instance, was obliged to import more than its normal quantities of food grains and, because of shortages and the high price of rice, switched a considerable proportion of its imports to barley, which is specially processed to be mixed with rice and eaten in the grain. This trend, however, may be expected to continue and so creates a totally new market. Egypt was also short of cereals and bought unusually large quantities of Canadian flour. The beginning of relief activities in Korea under UNKRA has provided a developing market for Canadian goods.

Trade with Indonesia went down because of extremely rigid import restrictions and because Australian wheat and flour again became available. With both the Belgian Congo and Lebanon there was a considerable reduction in exports but since both have ample supplies of hard currencies, these seem to be temporary shortfalls rather than the beginning of a trend.

Taking the area as a whole, the picture is a bright one. Opinion is that much can be done to develop our exports to the Arabian peninsula (Saudi Arabia, Kuwait, Bahrein and Qatar all have important oil earnings); with Iraq for the same reason, and with many of the other countries which have extensive development programs.

The following table gives Canadian exports to the area for the first ten months of both 1952 and 1953:

Canadian Exports to Asia, Africa and the Middle East (exclusive of Commonwealth Countries)

	10 months 1952	10 months 1953
Afghanistan	91,000	148,000
Angola	1,529,000	1,527,000
Arabia	1,704,000	2,140,000
Belgian Congo	5,491,000	2,728,000
Burma	600,000	416,000
Egypt	11,960,000	11,509,000
Ethiopia	47,000	49,000
French East Indies	230,000	327,000
Indonesia	5,900,000	1,703,000
Iran	516,000	647,000
Iraq	282,000	397,000
Jordan	82,000	36,000
Japan	71,076,000	85,381,000
Korea	247,000	13,722,000
Lebanon	6,132,000	4,978,000
Philippines	13,620,000	11,658,000
Portuguese Asia	201,000	160,000
Sudan	103,000	9,000
Syria	518,000	497,000
Taiwan	860,000	1,073,000
Thailand	1,512,000	1,311,000
Total	\$122,701,000	\$140,416,000

—JAMES P. MANION

Area Trade Officer for Asia and Middle East

Belgian Congo

- *Financial position somewhat improved in '53.*
- *Trade expanded and balance was favourable.*
- *Industrial and building program is progressing.*

LEOPOLDVILLE—The Belgian Congo's financial difficulties, brought on by the sharp fall in prices for most raw materials (with the exception of coffee and copper) have been partially eased, and now at the beginning of 1954 the Colony is standing on firmer ground. In December 1952 her exports and imports were barely in balance and in the first three months of '53 her trade showed a deficit. But the trend changed and by the end of July the Colony had achieved an overall favourable trade balance of \$15.4 million. The important industrial development and building program which started soon after the war is flourishing and there is every evidence that this expansion will continue.

The Belgian Congo is increasing its trade with European countries, notably Belgium and Germany, buying largely industrial equipment. Its leading imports are foodstuffs, textiles, transport material, and industrial machinery and equipment. Belgium remains the main supplier of and main market for the Congo; about 38 per cent of the Colony's imports come from Belgium and close to 42 per cent of its exports are sold there. Other important suppliers are the United States (approximately 24 per cent), the United Kingdom, South Africa and Germany, in that order.

Trade with Canada

Canada's exports to the Belgian Congo fell off considerably during 1953, totalling only \$2,728,085 million for the first ten months, compared with \$5,490,965 million for the same period in 1952. This sharp drop was partially the result of the sluggish trading conditions at the beginning of 1953. Most Congo retailers and distributors are still holding large stocks of Canadian food products imported during 1952, particularly powdered milk and canned sardines, but the situation should improve during the early part of this year. The value of direct Canadian exports to the Belgian Congo during 1952 was over \$6 million, the highest on record and about 37 per cent greater than for 1951. Canadian wheat flour still finds a good market here and flour shipments from Canada were valued at \$1,167,579 in the first ten months of 1953. The Canadian millers' share of this lucrative business may surpass \$1½ million by the end of 1953, an appreciable increase over the previous year.

Canadian exporters can judge the importance of the Congo market by the fact that the United States found an outlet here for about \$70 million worth of goods in 1952. U.S. exports for 1953, although somewhat lower, are expected to total about \$57 million. They include a wide range of commodities, from petroleum products, motor cars, earth-moving equipment and mining machinery to textiles, dairy products and beer.



This view of Leopoldville shows, at the far left, work going forward on the extension and improvement of the port, situated on the Congo River some 320 miles from the ocean. In the background is Stanley Pool, 19 miles wide.

Canadian imports from the Belgian Congo—consisting largely of palm and palm kernel oil and some coffee—totalled \$1.2 million for the first eight months of 1953 (\$989,590 in all of 1952).

Industrial Development

Since the beginning of World War II, industry and mining in the Belgian Congo have made remarkable progress. The following table shows the increase in output for some of the more important products.

	1939 (metric tons)	1952 (metric tons)
Copper	122,649	205,249
Manganese	2,600	127,978
Cobalt	1,500	18,129
Zinc	11,200	247,293
Diamonds (carats)	8,660,000	11,608,000
Cement	35,100	239,922
Chemicals .....	....	59,000
Soap	400	14,976
Sugar	14,700	15,413
Beer HL	28,600	646,203
Textiles (millions of sq. metres)	11	43
Electricity (millions of kwh.)	272	972

The cotton textile industry expects textile consumption to reach 160 million square metres by 1959. Assuming that consumption reaches 100 million square metres in 1955, the Congo's three textile plants will be able to produce about 60 million square metres of all types. On this basis, 40 million square metres, principally prints, would be imported. Of the textile imports in 1952, about 4.38 square metres represented African prints compared with one square metre of other types of cotton textiles.

During the period 1948 to 1952, private investment in the Congo rose to \$720 million. In 1952 alone some 368 companies were formed, with capital of almost \$21 million. In that year too, 102 older firms increased their capital to a total of more than \$120 million.

The construction boom and the likelihood of additional projects have encouraged local production of a number of building materials.

Types of Imports Needed

Belgian Congo industries such as metal-working, shipbuilding, cement, asbestos tiling, bricks, footwear (leather and rubber), breweries, cigarettes, textiles and sugar refining are still in their infancy, but it is interesting to note that this industrial expansion has already stimulated the demand for a number of new imported commodities. The range of products needed includes rubber chemicals, stitching machines, open mills for the rubber footwear industry; more malt and hops for the expanding breweries; special metal-working machinery for corrugating the iron and aluminum sheets used for roofing and prefabricated hangars; anilines for the textile industries; electrical installations—including wiring, switch boxes, air conditioners, electrical insulators—for the many new buildings (two apartment buildings of 14 floors each are being built in Leopoldville), hydro-electric installations and heavy machinery.

Although all imports into the Belgian Congo are subject to import permits, the authorities have been granting licences freely for most goods, including those from Canada and other dollar countries. The machinery exists for putting rigid import controls into effect at any time, but it is unlikely that controls will be imposed unless prices for raw materials decline again.

The Congo as a Market

The Belgian Congo is a highly competitive buyer's market and in many cases importers are able to make their own terms. The European population is small, about 60,000. Therefore, exporters interested in the Congo should investigate the buying tastes of the African population, which increased by 14 per cent between 1938 and 1951, now numbers over 12 million and has increased its consumption by almost 100 per cent. The standard of living of the native population in this relatively young country is catching up with other parts of Africa where the people have lived for a century or more under the influence of European civilization. The number of products which the natives can afford to buy is still limited, but interesting. Some of the articles are locally-made footwear (leather and rubber); brightly coloured hats of varying styles; ready-made suits; textiles (T-shirts, native prints, etc.); gramophones, radios; manioc grinders; watches and clocks; bicycles, motorcycles, and kerosene lanterns.

The immediate outlook for 1954 is still somewhat clouded, although it is brighter than at the end of 1952. The Colony is going through adjustments after enjoying abnormally high profits from her exports of raw materials between 1950 and the early part of 1952. Today's lower prices for these raw materials have affected the Congo but the country's great mineral wealth should continue to keep the economy on an even keel.

—A. B. BRODIE

Canadian Government Trade Commissioner

Angola . . .

LEOPOLDVILLE—The year 1953 was not the most prosperous in Angola's history but as it ended, the situation was better than anyone in this Portuguese West African territory had dared to hope. Industrial progress over the past few years, though not spectacular, has been sure and steady. The introduction of more scientific methods has been favourably commented upon outside the territory.

The half dozen commodities which form the bulk of Angola's export trade—coffee, sisal, diamonds, corn, dried fish and fish meal, and cotton—are all sensitive to market variations and to climatic conditions. Fortunately for Angola, the world price for coffee remained relatively firm during 1953. Coffee represents about 45 per cent of the territory's exports and was responsible for the favourable balance of trade (Angs. 303 million) at the end of the first six months of 1953. Exports during this period amounted to Angs. 1,414,828,000 and imports to 1,112,302,000 (1 angolare equals \$0.03444 Canadian). The United States is still the major market for Angola's goods, followed by the United Kingdom, Portugal, the Netherlands and Germany.

Selling in Angola

Portugal, which receives preferential tariff treatment, was by far the leading supplier of Angola's imports during the first half of 1953, followed by the United Kingdom and the United States. The purchasing power of the four million odd natives is still small and not comparable to that of native peoples in its neighbour, the Belgian Congo. The principal items imported for the native trade include cheap textiles, rough agricultural hand tools, bicycles, some sewing machines and a small number of inexpensive radio sets. The bulk of the import list was (at the end of 1952) made up of industrial and agricultural machinery and instruments (28.3 per cent); yarns and soft goods (18.93 per cent); various manufactured goods (18.57 per cent); foodstuffs (18 per cent).

There has been little change in the foreign exchange position during 1953. Foreign exchange allocations for hard currency countries must still come from Lisbon. In principle, import licences give preference to goods from Portugal and rigid control is still in effect on goods from Canada and other dollar countries.

Much of Angola's import trade goes through firms established in Portugal. Local representation is advisable for consumer goods. The heavier products, particularly those sold to the Government under contract, are often more efficiently handled by a Lisbon firm which has its own branch office in Luanda. Tenders for such goods are invited in both cities. Good local representation is difficult to find in Angola because the number of first class firms of any size is limited.

Despite reduced prices for some of Angola's agricultural products (particularly sisal), the general picture for 1954 is not altogether discouraging. If the price of coffee continues at its present level, Angola's economy should be able to withstand the effect of lower prices and of other strains and stresses.

—A. B. BRODIE

Canadian Government Trade Commissioner

Burma

- *Balance of trade continues to be favourable.*
- *Five-year development plan instituted in 1953.*
- *Single-column tariff adopted in September.*

BOMBAY—Economic recovery in Burma has been retarded by unsettled conditions within the country, but continues to make slow progress. Agricultural yields in 1953 in general topped those of 1952 and output from the national oil fields also rose. Some mines have been reopened and an ambitious program of industrialization and rural reform has been started. However, even if all plans are carried through successfully, the Burmese authorities do not expect per capita output to exceed the prewar level until 1959. Any permanent improvement must also depend on the Government's ability to establish its authority over the whole country.

Developments in Past Year

The 1953 harvest of rice, Burma's principal crop and major export, is estimated as 6 per cent larger than that of 1952, though production remains far below the prewar level. The State Agricultural Marketing Board, which handles the rice trade, has found it difficult to sell the exportable surplus of 1½ million tons because of the high price demanded and the poor quality of much of the crop. India, formerly the best buyer, imported no Burmese rice in 1953 and Japan, Indonesia and Ceylon are not taking the full quantities they contracted for.

The Government has instituted a five-year plan for agricultural and rural development to run from 1953 to 1958. Among the various projects contained in the plan are:

- An increase in the area sown to rice of 30 per cent, cotton 80 per cent, and peanuts 100 per cent.
- The granting of subsidies and tax exemptions on additional land brought under cultivation.
- Provision for advice to farmers on modern agricultural methods.
- Granting of increased loans through a proposed Agricultural Bank.
- Carrying out of an intensive research program.

Last May, the Minister for Land Nationalization announced a further scheme to distribute ten million acres of uncultivated land free to landless peasants, each family to receive an average of ten acres.

Production of Burma's second most important export, teak, was cut drastically as a result of the war and its aftermath and many of the growing areas are still insecure and inaccessible. Because of the long interval between the girdling of the trees and the arrival of the teak at

the sawmill, no substantial rise in exports can be expected for some years. The State Timber Board markets three-quarters of the entire teak production and operates a number of large sawmills.

Mineral output, although it is rising steadily, has so far reached only a fraction of the prewar figure. Operations have been resumed on a small scale at the important Baldwin silver and lead mine, but output so far has come mainly from scattered smaller operations. Petroleum production by the Burmah Oil Company (1951) Limited at present supplies barely 40 per cent of domestic needs; before the war, some 200 million gallons were exported every year.

New Factories Planned

Manufacturing is still only in an initial stage of development and, for the most part, is operated along primitive lines. However, in August 1952 the Government launched a comprehensive eight-year development program involving both public and private capital. Planned or under construction are a steel rolling mill, a tile factory, a jute mill, a fertilizer plant, a pulp and paper mill, and two hydro-electric projects. To implement the first phase of this program, a Burmese purchasing mission made an extensive tour of Japan, the United States, and Europe early in 1953, placing orders for \$18 million worth of machinery and equipment. This will be used for one of the first large-scale rural electrification programs in Southeast Asia.

Transportation Presents Problem

Poor transportation continues to hinder the country's economic progress, because the chief products cannot reach their customary markets in normal volume. The U.S. Technical Co-operation Administration is giving aid for the construction of ports, river shipping, railways and highways and this help has proved invaluable, but much remains to be done. At present, air travel provides the only convenient and speedy means of transportation between Rangoon and the important towns of the interior. These air routes are operated by the Union of Burma Airways, a government corporation.

Foreign Trade

In spite of an increase of over 20 per cent in the value of imports in 1952, Burma's balance of trade has remained favourable and its foreign exchange reserves (mainly sterling) increased in 1953 to 1,075 million kyats (\$215 million). On September 30, 1953, the established system of preferential tariff rates in favour of the United Kingdom and India was replaced by a single-column schedule of rates applicable to all countries. It is expected that higher import duties will be levied on goods of British and Indian make and that imposts on goods from other countries will be lowered. That will put Japanese capital and consumer goods in a more favourable competitive position. In spite of high tariffs, exports from Japan into Burma rose from 54 million kyats in 1950 to 112 million kyats in 1951. In 1952, they dropped slightly to 107 million kyats.

Practically all industrial equipment and a wide variety of consumer goods Burma must obtain from abroad, so imports play an important role.

Principal suppliers are India, the United Kingdom and Japan. The following are the principal imports in order of importance, with main sources of supply indicated:

Cotton fabrics	India, Hong Kong, Japan, U.K.
Cotton yarn and thread	India, Hong Kong, Japan, U.K.
Bags and sacks for packing (principally jute gunny bags for rice)	India
Machinery and transport equipment	U.K., India, Japan, U.S.A.
Metals and their manufactures	U.K., India
Petroleum products	Middle East, U.S.A.
Paper	U.K., Norway, U.S.A., India
Peanut oil	India
Pharmaceutical products	U.K., India, Japan, U.S.A.
Tinned milk	Netherlands, Australia, Denmark
Fish and fish products (mainly dried)	India, Malaya
Rubber manufactures (mainly tires and tubes)	India, U.K.

Increased foreign exchange earnings over the past two years, largely the result of profitable sales of rice abroad, have permitted the relaxation of some import restrictions against goods produced in soft currency countries. An increasing number of commodities have been transferred to the open general licence category and for certain other articles, licences are being freely granted. The prohibition against the import of luxury goods, however, continues in effect and because the demand for dollar goods exceeds the country's present dollar earnings, imports from hard currency countries are still rigidly controlled. Imports of essential industrial equipment from dollar areas are only possible when they are financed by technical assistance programs.

Trade with Canada

Canada's trade with Burma has been relatively small in recent years and is not likely to increase greatly in the near future, unless the country's dollar exchange position improves considerably. Canadian exports to Burma for the first nine months of 1953 declined 30 per cent in value as compared with the same period of 1952. Shipments for the full year 1952 totalled just over a million dollars, a postwar high. Principal Burmese purchases from Canada are freight automobiles, with automobile parts, agricultural machinery, and gas engines and parts playing a minor role. Canada's imports from Burma in 1953, as in previous years, were negligible.

Future Prospects

In the coming year, economic activity in Burma is expected to reach a postwar high, with a rise of 12 per cent in gross production over 1953. Industry, agriculture, power development, irrigation, mining and fisheries development figure prominently in 1954 plans. The extent to which these objectives will be achieved depends upon the Government's implementation of the development program, on the securing of technical and administrative personnel, and on financial and material resources.

—W. P. BIRMINGHAM

Assistant Canadian Government Trade Commissioner

China

- *Several trade missions visited Peiping during 1953.*
- *Trade carried on by barter whenever possible.*
- *Letter of guarantee now preferred to letter of credit.*

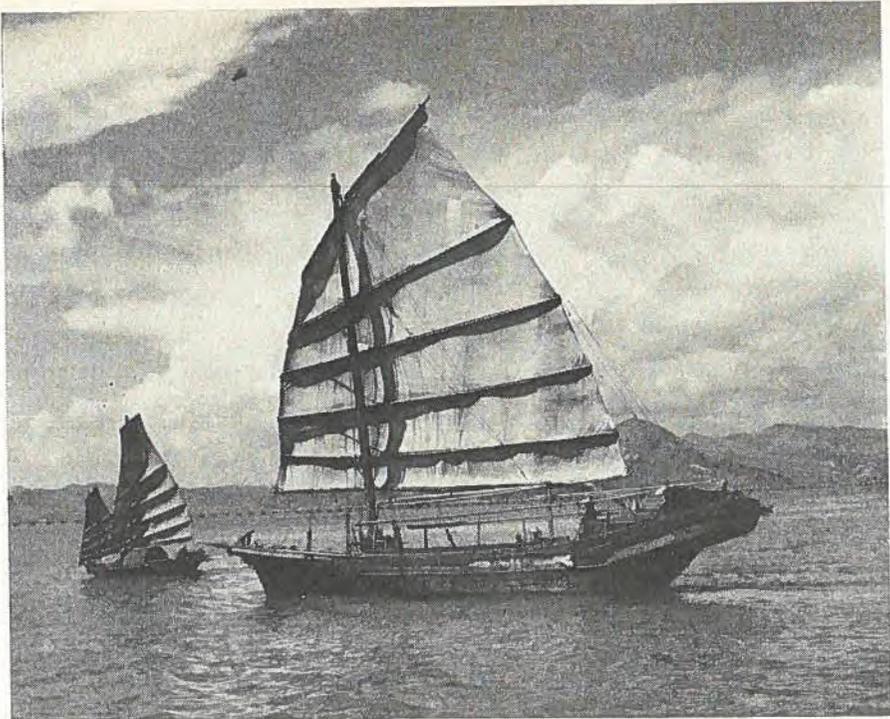
HONG KONG—Information about China is meagre, sometimes confused and frequently of doubtful authenticity. But general indications are that the People's Republic of China continued to make economic progress in 1953. Reforms in agriculture are said to be well advanced and the industrial potential of the country is reported to be expanding. The Government apparently has the whole country in its firm grip but to carry forward development programs, it needs industrial equipment and technical know-how which only the West can supply. Current trade relations are fraught with many difficulties, not the least of which is China's shortage of foreign exchange and the fact that the terms of trade are rigidly dictated by the People's Republic.

Trade Missions to Peiping

In an attempt to develop trading relations with the Chinese mainland, a number of trade missions, both unofficial and official, journeyed to Peiping in 1953. The unofficial mission from the United Kingdom, which passed through Hong Kong in the early summer, was reported to have concluded contracts with the People's Republic of China for £15 million worth of trade in each direction. The French mission, also unofficial, is said to have closed a contract for the equivalent of US\$30 million worth of trade each way, with the following items to be exported from France to China: steel, machinery, motor vehicles, pharmaceuticals, chemicals and medical instruments—provided they are not of strategic importance. In return, China will supply tea, silk, vegetable oil, bristles and feathers.

The Japanese-Chinese trade agreement concluded just recently by an official mission to Peiping from the Japanese Diet is stated to involve £30 million sterling worth of trade. In exchange for raw produce from China, including coal and mineral ores, Japan is to supply all types of transportation equipment of Japanese manufacture, pharmaceuticals, electrical apparatus and cotton piece goods. An official trade mission from Indonesia is now in Peiping but no announcement has yet been made on their negotiations.

It is significant that China proposes to pay for imports under these contracts with raw produce. The reason is that China is woefully short of foreign exchange and prefers to trade on a barter basis whenever possible. It is reasonable to suppose that should restrictions on trade with the mainland be eased, the demand in the western countries for Chinese products could soon be filled. China would then be in the position of having neither acceptable products nor currency to offer for needed imports.



Junks like this one, pictured off the China coast, carry cargoes between ship and shore and within the sheltered waters of the Canton River.

As a means of conserving foreign exchange China favours buying goods direct from the manufacturer, thereby eliminating the middleman's profit. Evidence of this procedure is increasing; many manufacturers' agents in Hong Kong are now being by-passed by the mainland import authorities. They have even gone a step further. Rather than trans-ship at Hong Kong, they are encouraging their overseas suppliers to ship direct to Chinese territory. It is reported that the Chinese Communists are using small islands in the estuary of the Pearl River as trans-shipment centres. The island most frequently mentioned in press reports is Lap Sap Mei, about 40 miles from Hong Kong. Facilities are said to have been installed for the unloading of freighters and from this terminus, goods go in junks up the Pearl River to Canton. It is also said that Whampoa, near Canton, is being developed to take vessels of 10,000 tons and will be provided with six modern warehouses. Trans-shipping from ports other than Hong Kong serves another important purpose—it is a means of obtaining strategic goods from countries not subscribing to the UN embargo. Such goods, of course, cannot be trans-shipped via Hong Kong.

A second measure designed to conserve foreign exchange is China's austerity program. The emphasis here is on capital goods. Although non-strategic consumer goods are being offered to the Communists, imports are prohibited. Observers in Hong Kong believe that even if western restrictions on trade with China are lifted, there will be few opportunities to export consumer goods to the mainland.

The Chinese Communists' method of paying for imports has changed significantly with the advent of the letter of guarantee which they now favour over the letter of credit. The outstanding feature of a letter of guarantee is that it stipulates that payment for cargo will not be made until it has actually arrived at the designated Chinese port of entry. Thus the foreign exporter must shoulder the entire financial burden of the shipment and this involves considerable risk because the exporter is entirely at the mercy of the Chinese importer for final settlement.

Some letters of guarantee stipulate that payment will not be made until the goods have been inspected by the Chinese customs authorities. Instances have been reported where cargo was rejected for no apparent reason except that it was claimed to be "not up to standard". This has happened even when cargoes were inspected and tested before transshipment to the mainland and is one of the hazards in the China market.

—MILTON B. BLACKWOOD

Assistant Canadian Government Trade Commissioner

Egypt

- *Cotton prices rising but 1953 crop may be small.*
- *United States remained main supplier during 1953.*

CAIRO—Egyptian business conditions remained unsettled during 1953 and the local wholesale and retail markets were relatively inactive. Commercial and financial circles believe that a real improvement in trade will not come about until the Anglo-Egyptian negotiations over the Suez Canal question can be concluded to the satisfaction of both parties.

Cotton Harvest Smaller

Cotton has long played the major role in Egypt's economy but unfortunately in 1952-53 the estimated loss on the season amounted to £E9·6 million. In the new cotton season, buying prices have risen steadily and many cultivators are now holding their cotton off the market in the hope of still higher returns. The situation is likely to be aggravated if the Government's first estimate of the 1953 crop is correct. This places the total at the surprisingly low figure of 5·9 million cantars (1 cantar = approx. 99·05 lb.), the lowest output since the war years, when cotton acreage was greatly restricted.

A large number of commercial and payments agreements were signed during the year, including one with the Soviet Union and other Communist countries. All such agreements define clearly the commodities to be exchanged for cotton, mainly sugar, wheat, chemicals, timbers and machinery.

Rice once earned hard currency for Egypt but none was available for export during the crop year 1952-53, because of a reduction in acreage. In 1953-54, although the crop is estimated to be about 10 per cent larger

than the last one, officials again do not expect that there will be a surplus for export. In addition, the rice yield per acre is still lower than in prewar years.

Many industrial projects are being planned or are under consideration. Most important are a hydro-electric power project at Aswan, on which some progress has been made, and a plan to produce superphosphates which now have to be imported from dollar countries. Other schemes include the construction of factories to make yarns, jute, tires, paper, batteries and spare parts and two silos for the storage of grain. Particular attention has also been given to the production of iron in the Aswan and Kosseir regions but so far this project has not been implemented because it requires a great deal of foreign capital.

A major obstacle to industrial expansion is the unwillingness of foreign businessmen to invest their funds in Egypt unless the Government makes special tax provisions and takes steps to facilitate the transfer of profits abroad.

Customs Duties and Import Entitlements

Customs duties on many imported articles covering a wide range have risen sharply, particularly on "luxury" or less essential articles such as cigarettes; chocolates and confectionery; wines, spirits and beer; toilet requisites; silk, rayon and cotton piece goods, clothing; footwear; jewelry; electrical appliances; motor cars and watches. On the other hand, raw materials imported into Egypt for local manufacture have been exempted temporarily from customs duty.

The Import Entitlement Account was introduced to promote trade with the sterling and dollar areas. Local exporters are bound by law to hand over to the Government 25 per cent of the value of their sales of Egyptian produce payable in hard currency. (For details on the operation of this account, see *Foreign Trade* of May 9, 1953.)

Foreign Trade

Imports into Egypt for the first nine months of 1953 totalled nearly £E111 million, about £E33.75 million less than for the same period of 1952. Exports amounted to £E90½ million, compared with £E105 million in the first nine months of 1952.

The United States remained Egypt's chief supplier in 1953, though its share of the market dropped slightly, from 19 to 17 per cent. Probably the most significant development during the year was Germany's displacement of the United Kingdom as Egypt's second source of imports. The German Republic increased its sales by about 60 per cent during 1953, while those from the United Kingdom fell by over 50 per cent. Other important suppliers during 1953 were France, Italy and Canada.

Commodities imported followed the same pattern as in 1952. Wheat remained Egypt's major foreign purchase, (12 per cent by value of all imports), followed by petroleum products, chemical fertilizers, textiles, tea, manufactures of iron and steel, pharmaceuticals, tobacco, lumber and paper.

France became Egypt's chief market during 1953, followed by India, the United Kingdom, Italy, Germany and Japan, in that order. The dollar problem was intensified by a reduction in sales to the United States—from £E13.2 million in the first nine months of 1952 to less than £E4.4 million during the same period of 1953.

As in previous years, raw cotton constituted the great bulk of Egyptian exports. In the first three quarters of 1953, cotton sales totalled £E72·8 million, up £E6 million from 1952. Egypt is a principal source of long-staple cotton for the textile-producing countries of the world.

Trade with Canada

Canada continues to experience a large export surplus on trade with Egypt. During the first nine months of 1953 imports from Canada amounted to \$11·4 million, compared with \$19·4 million during all of 1952. In each period, wheat and flour made up approximately nine-tenths of the total. Motor vehicles and parts, copper wire, newsprint, milk powder and asbestos also went to Egypt, but business in these items varies considerably from year to year. The 1953 figure includes 9,563 tons of merchant shipping worth \$750 thousand.

Imports from Egypt totalled \$2·2 million during the first seven months of 1953, with purchases of raw cotton alone valued at \$2·15 million. In 1952 Canada purchased no cotton from Egypt and total imports for the entire year amounted to only \$462 thousand, mainly fresh onions.

—W. H. HOPPER

Office of the Canadian Government Trade Commissioner

Ethiopia

- *Brisk demand for coffee boosted export revenue.*
- *Imports increased by 10 per cent during 1952.*
- *Trade with Canada continues to be small.*

CAIRO—Trade returns for 1952 showed a considerable increase in Ethiopian import values and a slight falling-off in export values. The balance of trade was, on the whole, less satisfactory than in 1951. The principal export commodities and particularly hides and skins, and to a lesser extent coffee, suffered a setback—though cereals and oilseeds were exceptions. Imports nevertheless increased by 10 per cent, with the most marked rises in textiles, raw cotton and petroleum products. Imports of food, beverages, tobacco and vehicles fell off.

The year 1953, however, opened encouragingly for Ethiopia with a partial release of coffee and skins from stock for export. Coffee is the country's major source of revenue and with a brisk demand for it in the United States and Canada and rising prices, Ethiopian exports have exceeded the record set in the January-June period of 1952. Coffee represented about 60 per cent of total exports for the first six months of 1953, which were valued at E.\$53½ million. An important development was the reappearance in export trade of seed oils and wheat flour. Cereals were down and linseed only in slight demand.

Imports reached the highest level yet recorded, mainly because of a rise in the value of cotton goods and salt. The slump in textile prices has benefited Ethiopia because about half of all its imports are in

this category. Corrugated iron sheets were also important imports. In general, the rise in the value of imports appeared to stem mainly from the increase in the volume of consumer goods which are in great demand in the interior of Ethiopia.

Trade with Canada

The value of Canadian goods exported to Ethiopia in the past six months totalled \$31,705 Canadian. The main commodities were canned infant food, tires, and fountain pens, including sets.

The volume of trade between Canada and Ethiopia continues small; the only Ethiopian commodity in which Canada is interested is coffee, and Ethiopian coffee imports into Canada in the first six months of 1953 were valued at \$25,960 Canadian. Trade between the two countries is also handicapped to a certain extent because machinery or other equipment for development works now under way is supplied by the financiers of these projects.

Development Continues

In the past few months, foreign companies have shown increasing interest in Ethiopian development and investment possibilities. A small meat-canning factory has been proposed; some firms have been investigating the gelatin trade, and the installation of a pilot bone-crushing plant is under consideration.

The Technical Assistance Mission have been active and various subsidiary agreements have been signed for public health and education projects. A joint fund has also been established to purchase well-drilling equipment and supplies and establish a water development agency.

Some months ago, rumours began to circulate that the Sinclair Oil Company had struck oil in the southeast corner of Ogaden. A production expert arrived from America but work had to be suspended later, pending the arrival of equipment required to clear a blockage in the borehole. When this has been done, further progress should be possible.

Communications Improved

Asphalting has been continued on the Addis-Ambo road and grading and scraping went on near Addis Ababa. Culverts have been cleared and bridges repaired for some 80 miles further on to Lekemпти but early rains brought repair work to an end. Now the newly asphalted road is showing signs of breaking up in areas where rain-sealing of the surface was not completed before the onset of the small rains. The Gondar-Asmara road has been considerably improved and freight rates, as a result, were lowered. Telephone communication with Asmara has been established, and further improvements in the communications network are planned.

—W. H. HOPPER

Office of the Canadian Government Trade Commissioner

Sudan

- *Imports drop as period of consolidation begins.*
- *Some new industries established in 1952.*

CAIRO—The year 1952-53 brought important and rather sudden changes to the economy of the Sudan. World-wide stockpiling immediately after the outbreak of the Korean war quickened the demand for Sudanese products and a record cotton crop in 1950-51 accentuated the rise in both the money value and the real value of the national income. Now, however, the boom is over and the country faces a period of consolidation. Consequently imports are bound to drop.

Foreign Trade

Evidence that the economic tide has turned is shown in the value of exports and re-exports, which fell from £E56,535,000 in 1951-52 to £E34,213,000 in 1952-53. Imports fell only slightly—from £E57,363,000 to £E55,330,000.

During the first six months of 1953 both the value and the volume of imports fell off. The volume of exports dropped sharply in 1952 because of the smaller cotton crop but rose slightly during the first six months of 1953. Imports of machinery and equipment, vehicles and base metals—most of which can be classed as capital goods for development projects—increased. Imports of petroleum products, fertilizers and coal also play a large part in the Sudan's development. Sugar and wheat flour arrived in larger quantities than ever before; the latter reflects the recent tendency for the Sudanese to eat bread made of wheat rather than of millet. Purchases abroad of jute sacks, grey cotton piece goods and rice declined.

Exports of cotton and gum declined and those of hides and skins decreased in value. Groundnuts to the value of £E1.3 million were exported, a record for this commodity.

The following table gives details of the principal imports and exports for the first seven months of 1953:

Imports	
	Value in Egyptian Pounds
Total Value	29,817,779
Food products, beverages, tobacco	6,365,074
Fats, waxes, animal and vegetable	86,988
Chemicals	1,464,897
Rubber and manufactures	325,369
Wood, cork and manufactures	508,077
Pulp, paper, cardboard and manufactures	168,053
Hides, skins, leather	76,353
Textiles	5,124,103
Clothing and made-up textiles	1,486,995
Products for heating, lighting and power and lubricants	2,297,293
Non-metallic minerals	791,756
Precious metals and stones	89,827
Base metals and manufactures	3,783,896
Machinery, apparatus, vehicles	6,165,253
Gold metal and specie	223,049
Miscellaneous	790,065

Exports

	Value in Egyptian Pounds
Total Value	22,417,171
Live animals	389,191
Cereals, maize, etc.	897,998
Oil seeds, nuts and kernels	3,794,841
Hides, skins and leather	532,660
Cotton, ginned, and sakes	12,442,762
Mother of pearl, ivory, etc., gums	1,729,120
Miscellaneous	1,732,373

Industrial Progress Continues

The outstanding industrial event of the year was the opening of the Sudan Meat Products Ltd. factory at Kosti. With the main construction work finished, a moderate program of slaughtering was undertaken with a view to proving the plant, training staff in unaccustomed duties, and testing the market. Corned beef and beef dripping made at Kosti are now on sale and have proved to be of good quality.

The Sudan Portland Cement Company's factory at Atbara had a much better year. An aerial ropeway for delivering limestone to the factory was installed, prime-movers were overhauled or replaced and extra grinding capacity was put in. Supplies of cement clinkers were imported from an associate company in Egypt and the factory can now meet practically all the Sudan's needs.

The sugar growing and processing project in Equatoria is in an experimental stage, but there have been delays in procuring piping and earth-moving machinery.

The Sudan produces a large variety of oil-bearing seeds and there are many projects under way for modernizing the old-type presses now in use.

Trade with Canada

Canada's imports from the Sudan for 1952 consisted mainly of amber and arabic gums, and cotton seed, to the value of \$75,565, but during the first eight months of 1953, they totalled only \$35,103. In 1952, the Sudan bought from Canada only \$103,992 worth of goods—largely timber, agricultural machinery and farm implements. For the first nine months of 1953, imports from Canada were valued at \$8,986, largely farm implements and farm machinery.

The volume of trade between Canada and the Sudan is comparatively small because of currency restrictions. The Sudan, like so many other countries, lacks hard currency and requests for import licences are carefully scrutinized and are granted only if the imports are considered essential and are not available from soft currency countries.

—W. H. HOPPER

Office of the Canadian Government Trade Commissioner

Indonesia

- *Trade showed favourable balance in first nine months.*
- *Strict controls have kept the volume of imports down.*
- *Lower world prices for rubber affecting export income.*

DJAKARTA—During 1953 Indonesia endeavoured to overcome the financial crisis that developed in 1952. It achieved some success in the first half of the year in keeping the budget deficit and the balance of payments deficit within the planned limits of 1·8 billion rupiahs each. On the other hand, the continued decline in world market prices for Indonesian exports, particularly rubber, has seriously affected the economy. Statistics indicate a favourable balance of trade for the year, largely because of a greater decline in the value of imports than in the value of exports. Strict import control regulations have been the chief factor in reducing import volume. The production picture has its shadows and cannot be considered satisfactory. Prices have increased substantially, primarily because of heavy import surcharges.

Financial Position

A comparison of the balance sheet of the Bank of Indonesia for October 28, 1953, with that of December 31, 1952, shows a notable decline in the gold holdings, foreign exchange assets, and foreign bills and balances with correspondents abroad. This decline has been accompanied by increases in foreign exchange liabilities, note circulation and government indebtedness and by a fall in current account balances. In the second quarter of the year, the Bank's advances to the Government declined by nearly two billion rupiahs, reflecting the profit on revaluation of gold holdings and receipts from advance payments on foreign exchange licences. The figures are:

	December 31, 1952	May 13,* 1953	October 28, 1953
	(millions of rupiahs)		
Gold holdings	892	2,365	1,701
Foreign exchange assets	224	368	145
Foreign bills and balances with correspondents abroad	674	627	409
Foreign exchange liabilities	874	641	862
Notes in circulation	4,327	4,961	5,275
Advances to the government	4,555	5,421	4,746
Account current balances	1,218	2,960	1,290

* The statement of May 13, 1953, shows revaluation of gold holdings on the basis of the devalued rupiah, brought about by the import surcharge system introduced in August 1952. The resulting profit was taken up in current account balances. The amount was transferred in June by a reduction in advances to the Government.

By reducing expenditures and, to raise revenue, subjecting another category of goods to import surcharges, the Government was able to keep the deficit within the planned limits during the first part of the year.

Taking expenditures for the first half of 1953 out of the 1953 budget, the deficit was close to 900 million rupiahs. However, if delayed expenditures from the 1952 budget and increases in cash balances are taken into consideration, then government disbursements exceeded receipts by approximately 1.58 billion rupiahs.

Balance of Payments

To keep the balance of payments deficit within a limit of 1.3 billion rupiahs for 1953, the Government increased import surcharges by making additional commodities subject to the 100 and 200 per cent import surcharge and by setting up a new list of products subject to a 33½ per cent surcharge. In addition, the advance payment for foreign exchange licences was increased early in 1953 from 40 to 75 per cent. In October the advance payment for a limited number of essential commodities was reduced to 50 per cent. Some success was apparent when the reduction in gold reserves and foreign exchange in the first half of 1952 amounted to about 400 million rupiahs, compared with the 600 million rupiah estimate.

In July, the Bank of Indonesia was forced to sell 350 million rupiahs in gold to maintain its foreign exchange holdings. As a result of further heavy losses of foreign exchange, the cumulative deficit at the end of July amounted to 800 million rupiahs, close to the limit. The deficit for the second quarter was larger than for the first and indications are that the situation will remain unfavourable, particularly in view of the large future commitments for imports.

Foreign Trade Declines

During the first nine months of 1953, Indonesia had a favourable trade balance of 376 million rupiahs; exports were valued at 6,888.5 million rupiahs and imports at 6,512.5 million. Trade in 1952 showed an unfavourable balance of 19.3 million rupiahs, with exports valued at 10,405.6 million rupiahs and imports at 10,424.9 million. The change stems from a greater decline in imports than in exports. Strict import controls, plus low purchasing power, have kept imports down. On the other hand, Indonesian attempts to bolster exports through inducement offers have not succeeded. The decline in world prices for rubber has been the chief factor in reducing the value of exports; rubber accounts for almost half of this country's sales abroad.

The pattern of Indonesia's foreign trade seems to be changing. This change does not affect Indonesia's chief trading partners, the Netherlands and the United States, but does touch the sterling area countries. Exports to the sterling area have fallen sharply—especially to Malaya, which has been taking about one-fifth of this country's exports. Final figures for the year probably will record a decline in imports because of the present ban on goods from Hong Kong, Singapore and Penang, which have been a source of almost 10 per cent of Indonesia's imports. Japan has been increasing her purchases from Indonesia but selling less to her. Imports from Thailand have also fallen off severely during the present year.

Because Indonesia placed restrictions on all but the most essential dollar purchases, exports from Canada fell off drastically in 1953. For the first nine months they amounted to only \$1,625,000 compared with



On country roads in Bali, now part of the Republic of Indonesia, distinctive carts drawn by Brahman oxen are a fairly common sight.

\$6,250,000 for all of 1952. The chief products shipped in 1952 were motor vehicles and parts (\$775,000), gas engines and parts (\$185,000), semi-fabricated aluminum (\$123,000). Sales of wheat flour, which totalled \$1,626,000 in 1952, dropped to \$76,000 and the market for cotton fabrics, newsprint and wrapping paper disappeared.

Despite this development, the balance of trade between the two countries remains greatly in Canada's favour. In the first eight months of 1953, Indonesia sold to Canada goods worth \$442,986, chiefly crude rubber, cigar leaf, black tea, kapok and Manila and sisal fibres. Sales for the whole year will probably be slightly lower than in 1952, when they totalled nearly \$900 thousand.

Production

Production in Indonesia for 1953 cannot be considered good. There has been some improvement in agriculture, the mainstay of the economy, but this has taken place on the large estates operated by private firms and by the Government. Estate production, with the exception of cinchona bark, hard fibres, and tea, increased substantially during the first eight months of 1953 over the same period of 1952. Because of inefficiency and poor yields, the production of crops on the smallholders' estates operated by natives has slumped. There seems to be little information on the output of goods by secondary industry for domestic consumption.

The production of food is going up and a large rice harvest will mean a further decline in rice imports. For 1953 they are estimated at 300 thousand tons, compared with 600 thousand tons in 1952. Other crops with increased output included corn, sweet potatoes and soybeans.

Sugar—The sugar industry has been making a come-back but recovery is slow because of economic uncertainties, lack of capital and

the heavy cost of repairing mills. Production from the 1952-53 crop was estimated at close to 574 thousand metric tons, compared with 458 thousand tons in 1951-52 and 1.6 million tons in 1939-40. Nevertheless, some export business (94,000 tons) was developed during the past year. Indonesia has not signed the present International Sugar Agreement because of the low export quota (250 thousand tons) assigned to her. The fact that Indonesia has not signed could add to the difficulties of finding outside markets in 1954.

Rubber—Information for the first nine months of 1953 indicates that rubber production will fall short of the 777,451 metric tons produced in 1952. This is attributed to a decline of 17 per cent in the output of smallholders' rubber; estate production was running about 8 per cent over that of the previous year. Production for the nine months totalled 530,951 metric tons—295,012 tons of smallholders' rubber and 235,939 tons of estate rubber. In the previous year, smallholders' output totalled 471,561 metric tons and estate production 305,890 tons. Exports of rubber for the nine months stood at 530,527 metric tons, of which 294,628 tons was smallholders' rubber and 235,899 tons estate rubber.

Oil—The petroleum industry of Indonesia, the second largest source of foreign exchange, is continuing to expand. Production exceeded the prewar level in 1951 and has kept on rising. For the first ten months of 1953 it was running at an annual rate of 9.4 million metric tons, compared with 8.5 million in 1952.

Tin—The tin industry has been operating at close to capacity for 1953 and output may be about 35,000 tons for the year. Exports are slightly below 1952 and will probably amount to over 30,000 tons. The big factor in tin production for 1954 will be the renewal of the tin agreement with the United States and the price at which tin will be purchased. It is doubtful whether the U.S. will pay \$1.21 per pound for the final year, as it did during the first two years of the contract.

—W. D. WALLACE
Commercial Secretary for Canada

Iran . . .

THE MOST IMPORTANT EVENTS of the year in Iran were first, the overthrow of the Mossadegh regime, and second, the resumption of diplomatic relations with the United Kingdom just before Christmas. The year 1954 opens with some anticipation that the climate will be more favourable for a solution of the oil stalemate.

Iranian trade has been in the doldrums since the unfolding of the oil dispute. In 1948 her exports reached a high of US\$589,800,000, of which about 40 per cent went to the United Kingdom. By 1952, her exports to all countries had dropped to US\$149,800,000, of which only US\$8,900,000 went to the United Kingdom. Similarly, Iranian imports from all sources came to only \$160,900,000 in 1952.

Iranian trade statistics for 1953 are not available, but it is known that her trade position continued to deteriorate and the United States felt obliged to grant US\$45 million in special assistance immediately after

the installation of the Zahedi Government in September. This was intended to tide the country over its foreign exchange difficulties until springtime. This sum was in addition to US\$23 million previously granted under Technical Assistance and an estimated US\$14 million in military aid.

Canada's total exports to Iran amounted to \$1,000,480 in 1951, fell to \$584,597 in 1952, but rose again to \$647,179 during the first ten months of 1953.

The most important commodity in the latter period was polystyrene, which accounted for \$120,457, followed by lamps and lanterns valued at \$93,476. The various items making up the agricultural machinery schedule came to about one-third of the total.

The latter figure is significant because it indicates that Iran has continued its agricultural development program despite its exchange difficulties. It may presage an accelerated development in that direction if the oil dispute is finally settled satisfactorily.

—JAMES P. MANION

Area Trade Officer for Asia and the Middle East

Israel

- *Exports rose by some 30 per cent during the year.*
- *Outside financial assistance is still required.*
- *Price and credit terms deciding factors in this market.*

ATHENS—The past year in Israel was one of transition from a rigidly controlled economy to one where some small but encouraging signs of liberalization appeared. The exporter can now use his foreign exchange earnings to import raw materials. Controls on price and quantity of all but basic foodstuffs and certain industrial products have been lifted. On the whole, the tempo of trade has been maintained; total imports equal those of the previous year, but foodstuffs and raw materials increased at the expense of capital goods. Exports went up by a satisfactory 30 per cent. Business has, however, been impeded by the higher but more realistic rate of exchange charged for many imports after mid-year, by bank credit restrictions, and by a shortage of working capital.

Opportunities for dollar area suppliers, and for Canadian exporters in particular, have unfortunately fallen off over the past twelve months, especially in most semi-processed and finished goods and even in primary products. Notable exceptions are wheat, meat and asbestos. The main reasons for this decline in dollar purchases are: first, reduced hard currency receipts; second, competition from Germany in capital equipment and industrial raw materials, following the recent ratification of the Reparations Agreement, and third, the continuing reliance on trade with certain European and other countries in which Israeli goods can be marketed through bilateral clearing agreements and barter deals. The willingness of European suppliers to grant generous credit terms is also important.

This general trend in Israel's foreign trade is likely to continue as long as her balance of payments position remains delicate because of heavy reliance on outside financial assistance and the minor part played by exports. Although exports from Israel to Canada have shown a satisfactory increase over the past year, mainly because of larger cut diamond shipments, the trade between the two countries is still heavily in Canada's favour.

Canadian exports to Israel were down by almost 50 per cent, to \$3.6 million for the first six months of 1953, compared with the same period in 1952. The main reasons for this decline were the almost complete elimination of arms and ammunition (\$1.5 million in 1952); negligible flour shipments following the establishment of sufficient milling capacity in Israel; and decreases in shipments of agricultural machinery and parts, lumber, plywood (now produced locally in sufficient quantities), newsprint, tires and tubes, brass, copper and aluminum, antibiotics, polystyrene, and textile products. Shipments of wheat, however, Canada's main export to Israel, went up by one-third during this period, canned meat orders doubled, and asbestos shipments increased substantially. In addition, rubber boots and shoes, hides and skins, fish oil, and tissue paper produced in Canada were on sale in Israel this year but not in 1952. This indicates that there are some opportunities in this market for enterprising Canadian exporters.

Outside Assistance Still Needed

The Government's foreign currency budget for the period July 1953-March 1954 has been set at \$233 million, closely approximating the \$305 million for the previous twelve months. Once again, U.S. grant-in-aid funds, German reparations, and donations and loans of international Jewry will meet the greater part of budgeted expenditures. Exports are not expected to provide more than \$45 million. Short-term debt redemption exceeding \$100 million, due this fiscal year, is causing the Treasury a financial headache and the foreign currency budget makes provision for only \$37 million of this.

Recent Measures Taken

With exports covering only 25 per cent of minimum import needs, with a heavy reliance on various forms of non-earned income, and a decrease in foreign investment capital, further drastic measures were required. The economic policy of February 1952—with its triple rates of exchange designed to arrest inflation, stabilize prices, strengthen the currency, and encourage exports and foreign capital investment—had been partially successful but it was necessary to carry the process a step further. To increase foreign exchange earnings and speed up development, the Government in May 1953 announced the granting of an 80 per cent premium on all slow-moving industrial exports and for foreign investment capital. Citrus fruit, polished diamonds, cement, automobiles and refrigerators are the only exports not yet receiving the new rate of 1.8 Israeli pounds to the dollar.

In July, an 80 per cent increase was also made in the rate of exchange for a wide range of imported goods. This exchange tax is used as an equalization fund and from it export premiums are paid. Most foodstuffs,

as well as fuels, rough diamonds, animal feeds, pharmaceuticals and insecticides, continue to be imported at the rate of Is. £ 1 to US\$1. Wheat and sugar are the only two commodities still brought in at the heavily subsidized rate of Is. £—US\$2.80. In effect the Is. £ 1.8—US\$1 rate should be regarded as the effective rate of exchange, with all other rates involving varying degrees of subsidy or tax.

Effects of Deflation

These economic and fiscal measures of the past 18 months have definitely arrested inflation but some signs of deflation—i.e., increased unemployment, shortage of working capital, lower purchasing power and consumer resistance—are causing concern in business circles.

The Government hopes to overcome the unemployment problem and, at the same time, make the country less dependent on imported basic food products by encouraging more people to work on the land. Agricultural development is to be emphasized in the future, through additional irrigation, increased cultivation of food grains and industrial crops (sugar beet, oilseeds, flax, etc.) and the increase of sheep breeding for both meat and dairy products by fuller utilization of natural pastures. Israel's agriculture provides only one-half of total food requirements and only a third of nutrition value for the present population.

By continuing its policy of strict credit control the Government hopes to encourage greater economies in industry, bring about the return of capital from abroad and, through a new rate for investors, step up the inflow of foreign capital which has declined considerably.

Recent improvements for commerce and industry have included:

- The replacement of the 'cost-plus' system by the tender system in industry in 1952.
- The elimination of price and quantitative controls on most industrial products early in 1953.
- The right granted to exporters of most products in May 1953 to use the 'added' value of their foreign exchange earnings to import raw materials or to sell them to an Export Promotion Fund at an 80 per cent premium.

These have provided incentives to increase production and become competitive in international markets. More goods are now available for both the domestic and export markets.

Import Practices

There is no published import licensing program in Israel. Each Ministry and service, as well as the Jewish Agency, has its own approved budget of essential imports for the private trade in the various sectors of the economy. However, the granting of the necessary foreign exchange and determination of sources of supply is under the control of the Treasury and subject to the availability of foreign exchange and to trade commitments under bilateral clearing agreements. Exchange is then granted for basic foodstuffs (over \$65 million for wheat, sugar, oilseeds, meat and fish imports last year), for raw material for essential industries, and for materials and equipment necessary for the currently approved phases of the long-term economic development plan.

Recent developments which augur well for the future industrial well-being of the young State include:

- The re-opening of the Dead Sea potash works, whose products earned \$7 million in foreign exchange in 1947. The plant was closed in 1948.

- The exploitation and use of local phosphate deposits for the domestic fertilizer industry.

- The discovery and exploitation of various mineral deposits in the semi-desert region of the Negev, including iron ore, copper, manganese, barytes, bauxite, ball clay, silicate sand and gypsum.

- Increased output of electric power through new generating units.

- Greatly increased output of industrial chemicals, such as sulphuric acid and sodium hypochloride.

- A start in making raw materials for plastics.

- Production of larger-gauge steel and concrete pipes for the great irrigation projects.

However, much remains to be done in providing better transportation and communications facilities, especially in the comparatively undeveloped south, and plans for these road and railway projects are going ahead.

Foreign Trade Pattern

Imports during the first eight months of 1953, at Is.£158 million, have been maintained at the previous year's level; exports are up by one-third to Is.£42 million. Notable changes in the trade pattern are increased imports of foodstuffs (30 per cent), raw materials and semi-processed goods (12 per cent), and a 12 per cent decrease in capital goods imports. These changes stem from some relaxation in food rationing, coupled with lower yields of certain locally-grown agricultural products; from better supplies of raw materials for essential industries, particularly those concentrating on the export market; and from reduced imports of heavy industrial machinery, agricultural machinery, vehicles and transportation equipment.

Exports have increased, principally because of record citrus shipments mainly to the United Kingdom and to Scandinavia. Exporters should find new and larger markets now that the recently introduced export premium rate allows Israeli manufacturers and producers to meet international competition. Israel has used four European trade fairs this year to advertise its products and is considering participating in the next Canadian International Trade Fair in an effort to expand its sales in dollar markets. Over recent months, 42 per cent of goods exported were sold for hard currency, slightly more were exported under trade agreements, and the remainder were bartered. In addition to citrus fruit, exports of most industrial products have increased. Cement, jeeps and trucks are new items which entered the export market in 1953.

Suggested Avenues of Trade

Apart from wheat, canned meat and possibly asbestos, all other Canadian products are meeting stiffer competition from nearer sources of supply which also frequently grant more favourable credit terms. With foreign exchange problems so acute, price and credit terms rather than quality are the deciding factors and this trend is likely to continue.

Despite present difficulties, Canadian businessmen interested in this area would be well advised to establish or review local agency connections in Israel. Many exporters should also maintain close contact with the Israel Government Supply Mission in New York City, which places substantial orders for wheat and some other supplies, either directly or through the Canada-Israel Corporation and the Canadian-Palestine Trading Company, both in Montreal.

—H. W. RICHARDSON
Commercial Secretary for Canada

Japan

- *Export trade has declined in last few months.*
- *Foreign exchange holdings about \$1 billion.*
- *Demand for Canadian products continues good.*

TOKYO—Japan's overall economic position deteriorated somewhat in 1953, principally because of declining export trade. Special dollar earnings from expenditures by the armed forces were above the high level of 1952. Imports also increased substantially and indications are that Japan will have an import excess of more than one billion dollars for the twelve months. Domestic business was buoyant for most of the year, and industrial production achieved a postwar record to keep pace with accelerated local demand.

Inflationary pressures increased as commodity and security prices advanced, as did commercial bank loans. The Bank of Japan moved to tighten credit in October and this action, coupled with unemployment in some industries and lower farm earnings because of the poor rice crop, to some extent checked the growing inflation. Japan's foreign exchange holdings at the end of 1953 were about one billion dollars. The immediate position is therefore not unfavourable despite a disappointing year in export trade.

Trading Relations

The Canadian commodities shipped to Japan in 1953 showed little increase in number or character over the previous year. However, Canadian exporters and other businessmen showed a keener interest in Japan than at any time since the commencement of the Occupation. Japan's imports from Canada in the first nine months of 1953 were valued at \$58,979,926. This represented a 20 per cent reduction by comparison with the whole year 1952, when total imports from Canada amounted to \$103,385,514. It is probable that imports from Canada for the final quarter of 1953 will run at a higher rate because Japan has stepped up purchases of Canadian wheat, barley, newsprint and other products. Japan has developed into an important postwar market for

Canadian wheat, barley, pulp, linseed, iron ore, asbestos and metals, with the likelihood of a continuing trade in these and other commodities such as lumber and chemical raw materials.

Exports to Canada Increase

Japan's exports to Canada in 1953 again included a wide range of miscellaneous commodities. The rate of Japan's exports to Canada in 1953 increased by about 10 per cent in comparison with the preceding year, based on the total of \$11,652,595 for the period January-September. This compares with \$14,377,233 for the 1952 calendar year. Because heavy shipments of Japanese Mandarin oranges and other commodities are scheduled to go forward before the end of 1953, it is probable that Japan's exports to Canada for 1953 will total about \$17 million.

Export Trade Declines

There was some improvement in exports from Japan to the United States in 1953 but exports to other markets in the sterling area and open account countries were down. Japan's exports for the first nine months of 1953 totalled \$841.8 million, or a monthly average of \$93,541,069. This would bring total exports for the year to \$1,122,492,828, a decrease compared with \$1,289,185,669 for the calendar year 1952. Prices of most Japanese export commodities were above world prices for comparable products in 1953 and this, coupled with import restrictions in traditional markets, was largely responsible for reduced export trade.

With a land area of 145 thousand square miles and a growing population of 87 million Japan is chronically deficient in both foodstuffs and raw materials. A thriving export trade is necessary to pay for essential imports and has not yet developed in the postwar period. Attempts are being made to expand commercial relationships with countries in South-east Asia and the Far East. Because these objectives have still not met with significant success, admission to GATT as an associate member was warmly welcomed in Japan because of the feeling that it would eventually enhance her trading prospects.

Imports Rise Sharply

Japan continues to grow in importance as a market for raw materials and foods. The monthly rate of imports in the period January-September 1953 was \$168,179,380, a substantial increase over the monthly average of \$143,196,783 in 1952. Imports for the first nine months of 1953, valued at \$1,513,614,422, were, in fact, not far behind the total of \$1,718,361,399 for all of 1952. The Japanese rice crop for 1953 was 20 per cent below that of the previous year because of typhoons, floods and cold weather in the growing season and monthly imports of grains in the last quarter will therefore probably exceed the earlier monthly average. Countries in the dollar area accounted for imports valued at \$669,605,109 in the first nine months of 1953 compared with \$954,985,230 for 1952. Imports from sterling countries were valued at \$496,008,649 for January-September 1953 and from open account countries at \$346,000,664, an increase in both cases over imports from these areas in 1952.

The Japanese Government moved in October to reduce imports of so-called luxury goods. The import of some 30 items in the non-essential category was virtually prohibited and the import of a number of other



Japanese women feed mulberry leaves to silkworms, spread out on trays.

items in the same class suspended indefinitely. This action will not prevent an overall foreign exchange deficit for the year of from \$80 to \$90 million, despite special dollar earnings of about \$900 million for 1953. The net foreign exchange surplus in 1952 totalled \$223 million at a time when special dollar earnings totalled \$750 million.

Summary

Japan's current economic position is not unfavourable largely because of the continued special dollar earnings from armed forces expenditures and Korean procurement. The long-range position is not so bright because Japan must ultimately strike a reasonable balance between imports and exports. There is no indication at the moment of any substantial increase in export trade or of any reduction in the volume of imports. It seems apparent, however, that special dollar earnings resulting directly from the Korean war may steadily diminish. The boom which followed the Korean war understandably created a feeling of prosperity in Japan. This boom has long since ended and a period of adjustment lies ahead.

—J. C. BRITTON

Commercial Counsellor for Canada

Lebanon

- *Domestic market sluggish but transit trade flourishing.*
- *Traders developing markets in oil-producing countries.*
- *Price is the determining factor in sales to this area.*

BEIRUT—There are two distinct markets in the Lebanon: a domestic market of some 1½ million people, many of whom are foreigners, and an expanding and frequently shifting transit trade. Syria continues to be the most important destination for goods moving in transit through Beirut but 1953 brought a marked decrease compared with 1952. Discouraged by the restrictions affecting trade with Syria, Lebanese businessmen have turned to lesser markets such as Jordan, Iraq, Saudi Arabia and Kuwait. Efforts to reach an understanding with Syria over some form of economic partnership have so far been unsuccessful and there is no doubt that Beirut merchants are suffering from the increasing difficulty of carrying on business in that natural market.

Domestic Market Over-Stocked

Business in Lebanon is highly speculative and falling world prices have worried merchants here over the past six months. Sales slowed up as consumers postponed purchases in anticipation of price cuts. As a result, the country has witnessed the greatest number of bankruptcies in any year since the end of the war. There are nevertheless stable elements—such as a large and growing foreign community, the important tourist trade and, of course, the transit trade. Bankers here now believe that a salutary shakedown has taken place and that business will improve in the months ahead. Sales have, in fact, quickened in recent weeks.

Apart from trade, which is concentrated in Beirut, the country is essentially agricultural. Many varieties of fruit are produced on the coastal plains and in mountain valleys; cereals are grown on the inland plateaus. Harvests have been excellent and, although there has been some difficulty in moving apples to traditional markets in Egypt, there is considerable prosperity in the rural districts. In the towns of Tripoli and Sidon and in Beirut unemployment continues to be a problem. Cotton mills and vegetable oil producers are reducing output.

Transit Trade and Tourists

A natural and well-run port, a free zone, a free money market and a favourable geographical position are all factors contributing toward the development of transit trade in Beirut. Although much of the merchandise purchased through Beirut never reaches the Lebanon, figures from the Port Administration which placed transit tonnage at some 456 thousand tons during 1952 indicate the importance of this type of business. A classic example of a transit deal during the year was the purchase of 50,000 tooth brushes from the United States which arrived in the free zone and were then eventually sold to Norway at a profit.

Traders faced with sluggish business conditions at home and the nationalistic policy in Syria sought out new markets during the year and were particularly successful in Iraq and Kuwait. In Iraq the departure of the bulk of the Jewish community created a vacuum into which the Lebanese traders moved swiftly. With a free money market and buoyant oil revenues, Kuwait provided a good market and a further entrepôt.

Transit business is materially assisted by the tourist trade. The mountains of Lebanon are the principal tourist area in the Middle East during the hot summer months and visitors from all Arab countries spend as much as two to three months here each year. Many naturally use part of this time to inspect merchandise and place orders. For this reason Beirut is frequently called the shop-window of the Middle East. In 1953 the season suffered from exchange regulations in Egypt restricting the amount of currency to be taken out of the country. However, reports are that merchants, hotel-keepers and others catering to tourists did well.

Negotiations with Syria

Syria and Lebanon complement each other economically and a number of conferences were held during the year in an effort to bring the two countries closer together. Progress was slow, however, and Syria continues to pursue a policy of excluding Lebanese nationals from holding foreign agencies. As a result, a number of Beirut concerns formed Syrian companies and although this arrangement apparently worked well in some cases, many traders in Beirut have undoubtedly suffered. Canadian exporters who are selling in the Syrian market through Lebanese agents should make certain that a Syrian company has been formed. Otherwise, separate agents in Syria are recommended.

Trade Outlook

Although the number of goods requiring prior import licences has gone up during the year, Lebanon remains essentially a free market. Goods from all countries are available and, with trade concentrated in Beirut, competitive prices are instantly known throughout the city. Price is the most important factor determining sales. The Beirut market is a useful barometer of sales in Arab countries. If a product is competitive in Beirut, the chances are that it will be competitive elsewhere and can move naturally into surrounding markets.

Principal Canadian exports during 1953 were wheat and flour, aluminum ingot, planks and boards, milk powder, asbestos and its products, tires for motor vehicles, copper wire, whisky, paints and aircraft parts. Exports in the first six months of the year totalled \$4.1 million, compared with \$2.8 million during the similar period in 1952. Sales of the principal items, wheat and flour, have declined since July, largely because prices were high in relation to wheat and flour from Syria, where a bumper crop was harvested. High prices of Canadian manufactured goods and prepared foodstuffs continue to interfere with the development of this small but interesting market.

—G. F. G. HUGHES

Canadian Government Trade Commissioner

Iraq

- *Revenue from oil sales has doubled during past year.*
- *Large purchases of capital equipment are continuing.*
- *Limited opportunities for certain Canadian goods.*

BEIRUT—Business developments in Iraq in 1953 reflected the sharp increase in the Government's oil revenues from an annual rate of ID25 million to ID50 million.* The oil companies have stepped up their operations and increased their expenditures, and the country is enjoying unprecedented prosperity and expansion.

The Development Board, which receives 70 per cent of all the Government's oil revenues, has been pressing forward with a number of large-scale engineering projects. The most noteworthy of these are schemes aimed at increasing land under irrigation and electric power output, plus a series of industrial projects such as an oil refinery, a bitumen refinery, a cement plant, and sugar-beet processing facilities. All these projects are designed to exploit the country's many natural resources and to decrease its imports of basic commodities.

Iraq has the good fortune to possess both exceptional resources and the large and increasing financial reserves required to undertake a major development program. The Development Board plans to spend some ID155 million during the next six years, and recent information from Baghdad indicates that this figure will probably be increased to ID200 million by December.

Development Program

As yet, only a small portion of these funds has been committed and many projects are still in the survey and design stage. The following table sets out in general terms, by type of project, the funds that have already been budgeted and gives an indication of the types of capital equipment that will be required.

	(in Iraqi dinars)
Irrigation projects	53,000,000
Roads and bridges	27,000,000
Buildings	18,000,000
Industrial and manufacturing projects	31,000,000
Basic services, telephones, telegraphs, research, surveys	23,000,000

Of interest to Canadian exporters is the budget for the Iraqi State Railways amounting to ID15 million. This appropriation will be used to purchase new railway rolling stock, to lay new track, and to replace and strengthen existing lines. The shortage of railway cars is causing serious congestion at the port of Basra and indications are that this is one of the first problems that the Government intends to tackle. Annual requirements of some 200 thousand railway ties, and a construction and modernization program at Basra costing ID1 million, are promising trade prospects for Canadian lumber exporters. Agricultural machinery is also being

* One Iraqi dinar=US\$2.80.

imported in substantial quantities. However, the greatest spending is expected to come late in the development program when major irrigation and land reclamation projects have been completed.

Expanding Consumer Market

Although a large percentage of the funds committed so far will be used for imported machinery and supplies, an increasing amount of purchasing power is slowly finding its way into Iraqi hands. Unemployment is decreasing and a visitor to Baghdad cannot help being impressed by the wide variety of consumer goods displayed in shop windows and in the bazaars. British automobiles, appliances, foodstuffs and footwear are very much in evidence, but in the last twelve months Japanese and European exporters have made a determined trade drive and are meeting with great success. Agents of Canadian firms report that Iraq is essentially a low-price market for consumer goods. Many of the luxuries and semi-luxuries now being imported are unfamiliar, and this fact and the prevailing low income make it almost impossible for retailers to sell superior articles at a higher price. Business for Canadian exporters in this field is further complicated by the import licensing system which makes dollars available only for essential goods at the official rate of exchange. There are, nevertheless, limited opportunities for such products as pharmaceuticals, canned fish and whisky, which are sold mainly to the steadily growing foreign community.

Import and Trading Regulations

There was considerable discussion in Iraq during 1953 about the advisability of remaining within the sterling area. As a result, the Government appointed a well-known Danish economist to study the question and to make recommendations. His report, which has just been submitted, indicates that the country would be well advised to remain within the sterling area and this now seems to be the Government's intention. It is thus not likely that Iraq's trading regulations will be seriously altered in the near future. There is, however, a noticeable easing in the requirements for dollar licensing and, at the present time, it may be taken as a general rule that import and exchange licences will be made available for products required for industrial and agricultural undertakings, including farm machinery, automobiles, lumber and railway ties. Dollars can also be secured for such essential consumer goods as antibiotics, medicinal preparations and air-conditioning units. Although purchases are made as much as possible from soft currency sources, there is a feeling in Iraq that the country is not making full use of its dollar reserves. Canadian exporters therefore would be well advised not to bypass this market for exchange reasons before they have investigated the opportunities—in co-operation with a good local agent.

Free market trading has become widespread in the past 12 months because the premium required has fallen from 10 to 5 per cent. This method of trading, which involves purchasing dollars in the free money markets of Beirut or Kuwait, is not officially recognized but customs authorities have not so far refused entry to merchandise procured in this way. The principal goods imported under this system are luxuries such as liquor, cosmetics and certain foodstuffs. However, goods must have an exceptional appeal or be low-priced if they are to compete with soft currency products imported at official exchange rates.

Canada has been running an unfavourable balance of trade with Iraq for many years. Total Canadian exports in 1952, for example, amounted to only \$238,395 while imports—exclusively dates—amounted to \$923,822. Products exported to Iraq in important quantities during the last six months include farm machinery, planks and boards, industrial machinery and parts, electrical machinery, rubber tires, lamps and lanterns, and whole milk powder.

Iraq's imports for the period January-April 1953 totalled ID22.5 million. Of this, the United Kingdom supplied ID9 million, followed by the United States with ID2.7 million; Japan, ID1.3 million; Ceylon, ID1.2 million, and Italy, ID1 million. Imports from Canada were valued at ID15,478 and consisted of timber, agricultural machinery, electrical apparatus and pharmaceuticals. The United States, on the other hand, supplied a wide variety of goods; the main classifications were boilers and machinery, automobiles and trucks, cotton piece goods, used clothing, chemicals and pharmaceuticals, electrical apparatus, artificial silk piece goods, glassware and cement.

Total Iraqi exports in the same period amounted to ID5.9 million (excluding petroleum), of which ID2.3 million was taken by the United Kingdom. Other leading customers were India, Syria, Kuwait, Lebanon and Saudi Arabia.

—G. F. G. HUGHES

Canadian Government Trade Commissioner

Syria

- *Bumper cereal crops have presented a sales problem.*
- *Market for capital goods continues to be promising.*

BEIRUT—Although some success has been achieved in recent years in expanding manufacturing facilities, Syria remains predominantly agricultural. Her economy depends upon exports of cereals, cotton and, to a lesser extent, carpet wool to earn the foreign exchange required for essential capital and consumer goods. Bumper cereal crops were consequently the outstanding event in 1953 and although much of the wheat and barley still remains unsold, farm income is slightly greater than it was a year ago.

The Cereal Office has estimated wheat production at 850 thousand tons, with some 260 thousand for export. Less than half of this has been sold. There were, in addition, exportable surpluses of barley (150 thousand tons) and legumes (120 thousand tons). Most of these crops were purchased from the farmers some months ago against credits for food and household supplies. Falling world prices have now placed grain merchants and the Government in a difficult position. Reluctance to reduce prices to world levels has slowed down export sales and a large surplus remains in the country and will be difficult to store and to protect from the winter rains. There is therefore considerable apprehension throughout Syria and importers have been ordering cautiously.

Canadian exporters of wheat and flour in recent years have developed a considerable business in Lebanon but this is now suffering from the Syrian surpluses. During 1952 for example, total sales of wheat and flour amounted to some \$7.8 million in Lebanon; during the first nine months of 1953 they totalled only \$4.4 million, with few additional sales so far reported. Sales to the United Nations Relief and Works Agency for Palestine Refugees have stopped entirely, following the agency's development of a minimum standard sample based on Syrian wheat types. Syria has for some years been carrying out a program of improving seed and modernizing farming methods. This plus the introduction of the latest types of farm machinery, much of it Canadian, improves the prospects for sizable and regular exportable surpluses in the future. There is, in addition, much land in northern Syria which could be brought under cultivation.

Cotton Crop Satisfactory

Cotton has become one of Syria's most important cash crops. Seed is imported from the United States and the varieties now available for export are similar to those in Texas and Louisiana. Syrian staple, however, is slightly shorter because of the lighter rainfall. It is estimated that this year's crop will yield 52,000 tons of ginned cotton, of better quality than in 1952. A portion of this will be consumed in the rapidly developing textile industries in the Aleppo district and most of the remainder has already been consigned to the United Kingdom, France, and Germany. Prices are slightly above world levels because payment may be made in soft currencies. The cotton is not of interest to North American buyers for the time being.

Trading Developments

During the year Syria continued to maintain a free currency market. Imports require prior licences in most cases and the guiding criterion is whether the product is available from domestic industries. Principal imports were:

	1952 Syrian Pounds* (thousands)
Textile materials and manufactures	64,344
Vegetable products	43,515
Mineral products	38,791
Machines and apparatus	36,025
Base metals and products	25,028
Food products	16,992
Chemicals and pharmaceuticals	16,775
Wood products	10,459

* 1 Syrian pound = \$0.27 Canadian approximately.

Total imports for 1952 were S£313 million compared with S£305 million in 1951. The principal supplying countries were the United States, 14.5 per cent, the United Kingdom 12.6 per cent, Lebanon 11.4 per cent, France 9.4 per cent, Italy 6.5 per cent, and Western Germany 5.8 per cent. Imports during the first six months of 1953 roughly followed 1952 in pattern and volume. However, European countries—particularly Germany and Yugoslavia—have improved their relative positions. A trade agreement signed with Japan in June provides for the progressive exchange of most-favoured-nation tariff treatment and guarantees to

Syria a market for 5,000 tons of cotton a year. As a result of the agreement, which went into effect on August 16, an increasing number of Japanese goods are already appearing on the market.

Syrian exports totalled S£ 319 million in 1952 and went chiefly to: the United Kingdom 24 per cent, Lebanon 22 per cent, France 15 per cent, and Iraq, Jordan, Italy and the United States, each of which accounted for about 5 per cent of the total.

Canadian exports to Syria in the first six months of 1953 consisted mainly of farm machinery and parts, planks and boards, tires for trucks and buses, medicinal preparations, domestic washing machines, industrial knitting needles and linseed oil. Imports into Canada were primarily tobacco and carpet wool.

Trade Prospects

The Syrian market is small. Competition is, however, extremely keen and Syrian businessmen watch carefully day-to-day developments in the larger and more cosmopolitan markets. Although exchange reserves are limited, it is likely that the market for capital equipment, including farm machinery, will be an attractive one for some time to come. A construction program to improve port and communication facilities should provide opportunities for Canadian exporters of lumber and other wood products.

It is important that businessmen have well-placed agents who are active not only in Damascus but also in the more important commercial centre of Aleppo in northern Syria. The Government is planning to hold the first of a series of International Trade Fairs in Damascus in October 1954 and businessmen anxious to introduce their lines may find this a convenient opportunity.

—G. F. G. HUGHES

Canadian Government Trade Commissioner

Data for Exporters

The International Trade Relations Branch of the Department of Trade and Commerce has prepared bulletins covering shipping documents and customs regulations of the following countries: Austria, Belgium, Belgian Congo, Brazil, Chile, Colombia, Cuba, Denmark, Dominican Republic, Egypt, Finland, France, Western Germany, Greece, Guatemala, Haiti, Iceland, Indonesia, Israel, Italy, Mexico, Netherlands, Netherlands Antilles, Norway, Panama, Peru, Surinam (Netherlands Guiana), Sweden, Switzerland and Venezuela.

If you wish copies, write to the Branch. Data on other countries will be compiled from time to time and will be added to this list.

Philippines

- *Declining exports have adversely affected the economy.*
- *Foreign exchange reserves have been well maintained.*
- *U.S., Japan, Indonesia the main suppliers in 1953.*

MANILA—Early in 1953, some observers felt optimistic about business in the Philippines. They have been partially disappointed. Retail business has not picked up as was expected, importers have felt the impact of continuing controls, and declining exports have adversely affected the whole economy of the Republic. The continuing excess of imports is barely being covered by United States government expenditures and the general rundown in business has begun to decrease government revenues.

The peso retains its stability as a direct result of the determined fiscal and monetary policies pursued by the Government and the Central Bank.

A presidential election was held on November 10 and a new president assumed office on December 30. New policies will be introduced and the situation will become clearer when Congress meets this month. The overwhelming political victory will obviously make the introduction of new policies easier, and these may reinforce the confidence already being felt by businessmen that 1954 will be a better year. A more aggressive policy of industrialization is expected to provide more opportunities for employment not only of skilled labour, of which there is a surplus, but also of university-trained men.

Industrial Development

Industrial development was not entirely neglected in 1953. During the year the Government announced that "new and necessary" industries would be exempt from all taxes, excise and customs duties for from four to ten years. Not all new industries can qualify but this inducement, combined with the maintenance of import and foreign exchange controls and the credit facilities offered by the Rehabilitation Finance Corporation, has stimulated local investment in industry, although foreign capital has not been lured to the same extent. Total American investment is estimated at \$150 million.

The Filipinos' increasing interest in industrialization has focused attention on the adverse influence of a policy of restricting the money supply. As a consequence, among other measures, in October 1953 the Central Bank of the Philippines cancelled an earlier directive requiring importers of luxuries and non-essentials to maintain a cash margin of 80 per cent for letters of credit.

The efforts of the Central Bank throughout 1953 were successful in maintaining foreign reserves. The latest statistics (end of October) give the foreign exchange reserves as \$302.9 million. This compares with \$305.9 million in December 1952 and \$303.9 million in December 1951, and indicates a most satisfactory stability.

The Central Bank assumed the control of imports into the Philippines on July 1, 1953, when the Import Control Commission ceased to function. Control has been exercised by limiting letters of credit issued by commercial banks acting as agents of the Central Bank and subject to approval of first, a bankers' committee and second, the monetary board. The new system took some time to get into its stride and there were some complaints. Although control operations were smoother toward the end of the year, imports undoubtedly declined and the outflow of dollars for import payments during the last half of 1953 will be much smaller than during the similar period in 1952. In the meantime, the internal value of the peso has appreciated as shown in the following table:

	Purchasing Power of Peso	Cost-of-Living Index
	(1941=100·00)	
1949	·2910	343·7
1950	·3004	332·9
1951	·2836	352·6
1952	·2946	339·4
Oct. 1953	·3172	315·3

Revenues tended to decline during 1953 but the fiscal position of the Government remains healthy because expenditures were held within the income of the nation. Statistics for the first five months of the year show the following changes:

	1953 January to May	1952 January to May
	(Millions of pesos)	
Total revenue	267·5	312·3
Total expenditures	212·2	184·1
Tax receipts	245·1	285·4
Defence expenditures	73·94	71·1
Education expenditures	62·67	49·91
Treasury cash holdings (June 30th)	178·28	144·89

The most important source of government income is the 17 per cent tax levied on applications for foreign exchange. Collections since this tax was introduced in 1951 were as follows:

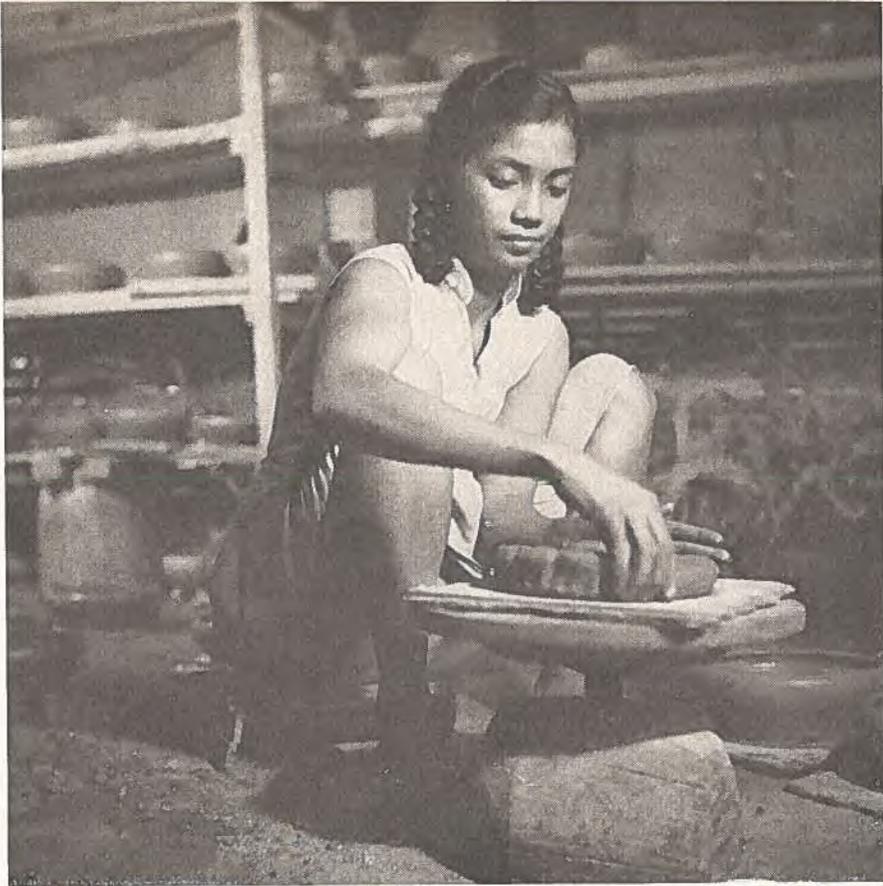
	(millions of pesos)
1951	120·70
1952	114·95
1953 (to Sept. 21)	95·75

Foreign Trade

Statistics on the trade of the Philippines for the first eight months of 1953 show exports were valued at \$270,996,548 compared with \$250,054,260 for the same period in 1952, a gain of 8 per cent. Imports were valued at \$282,449,968 in 1953, compared with \$315,055,031 in the first eight months of 1952, a decline of 10 per cent. Hence the unfavourable trade balance in 1953 was \$11,453,420 compared with an adverse balance in 1952 of \$65,000,771.

As usual, the United States was credited with the great bulk of both exports and imports; Japan was in second place, followed by Indonesia. Imports from Indonesia consisted principally of mineral oil and oil products.

Despite the disadvantageous tariff position of Canada in the Philippines vis-à-vis the United States, Canadian products held their position fairly well. Canadian products which have been imported in 1953 (first eight months) include:



U.N. Photo.

One of the postwar rehabilitation projects in the Philippines has been the training of young people to carry on the traditional handicrafts. At a training centre in Manila, a young Filipino student works at the potter's wheel.

Flour	\$7,834,075
Newsprint	491,346
Agricultural machinery	138,715
Copper tubing	23,571
Copper wire	285,785
Asbestos	142,004
Fertilizer	168,766
Salmon	59,526
Malt	14,727
Whisky	221,420
Total	\$9,379,936

Since the end of World War II, the Philippines has been engaged in a continuous struggle to restore the agricultural production facilities of the Republic and to reach as quickly as possible the prewar level. Production improved in the 1952-53 crop year despite unfavourable weather conditions. Production costs were up, largely because of the wider application throughout the Republic of the minimum wage bill. Net returns were reduced by lower export prices.

The Central Bank has reported that the production of copra declined to 827,762 metric tons compared with 954,142 tons in the previous crop year, as a result of typhoons. However, coconut oil production increased slightly—from 160 thousand metric tons to 160,608 tons.

Despite a nation-wide agitation for greater tobacco production, tobacco leaf yield was down in 1953. The crop only realized 15,443 metric tons, 42 per cent less than the 26,670 tons cured in the 1952 crop year. The reduction, as in copra, was directly attributed to typhoons.

Sugar production increased by six per cent to 1,034,962 metric tons. The production of abaca (hemp) was raised by 37.2 per cent to 157,214 metric tons. Desiccated coconut also increased by 5.3 per cent, to 54,139 metric tons in the 1952-53 crop year.

Rice production during the 1952-53 crop year amounted to 3,144,155 metric tons, according to the Central Bank, compared with 2,829,000 tons in the preceding year. It should no longer be necessary to import this basic foodstuff.

Mineral Production

Statistics covering mineral production in the Philippines during the fiscal year ended June 30, 1953, show the total value as \$74 million, an increase of \$8.6 million compared with 1951-52. During the year under review, 15 gold and silver mines and 21 producers of base metals were in production. Output during 1953 included:

	AMOUNT	VALUE
Gold	1,141,854 oz.	\$25,966,504
Lead	2,979 metric tons	863,225
Zinc	1,708 " "	502,205
Copper	12,361 " "	8,126,996
Manganese ore	21,183 " "	725,695
Iron ore	1,159,763 " "	11,084,561
Non-metallic production included:		
Cement	1,700,000 lb.	\$10,688,421
Coal	138,414 metric tons	1,599,690
Rock Asphalt	14,480 " "	152,900

Development Program

It was stated in Manila in October 1953 that about \$68 million will be spent during the 1953-54 fiscal year under the PHILCUSA (Philippine Council for United States Aid)—FOA joint economic development program. Direct FOA assistance during 1953-54 will reach \$17 million, and the Philippine counterpart fund expenditures will reach 40 million pesos, realized from the sale of FOA commodities imported earlier. Assistance given by the United States to July 1953 totalled \$65 million.

The present development program includes:

	(in million pesos)
Public health	5.5
Agriculture	23.7
Transportation, power and public works	16.8
Manufacturing, mining, etc.	5.6
Education	7.7
Public administration	9.0

The largest single project is the continuance of work on the roads system of the island of Mindanao.

Among the hoped-for developments in 1954 is the possible revision of the Bell Act, which has been giving free entry to American goods. Some observers feel also that a revision of the Bell Act would facilitate the removal of controls on foreign exchange and imports by imposing a tariff on United States goods.

The peace treaty with Japan still awaits ratification. The Philippines continues to insist on being satisfied about reparations. Trade with Japan, however, is progressing to the satisfaction of the Philippines but the further development of Philippine resources, in which Japanese experts could assist, is being retarded.

—FREDERICK PALMER

Consul General of Canada and Trade Commissioner

Taiwan

- *Four-year development plan aims at self-sufficiency.*
- *Advances in agriculture and transportation achieved in '53.*
- *Trade pact with Japan to run until April 1954.*

HONG KONG—Taiwan's (Formosa's) economy continued to progress in 1953, in terms of both current achievements and plans for the future. Progress in trade, industry and agriculture was supplemented by the inauguration of a four-year plan covering all aspects of the economy and aimed at increasing the production of power and stepping up the output of salt, fertilizer, rice, sugar, pineapples and fishery products.

The current budgets of the Central and Provincial Governments are realistic, promising modest surpluses; the price system continues under fairly firm control. Exchange rates have remained stable, largely because of the United States dollars made available by the Foreign Operations Administration (FOA), formerly MSA. At no time have U.S. dollars become so plentiful that the Chinese were encouraged to appreciate their currency and, equally, at no time have they become so scarce that the black market has threatened to upset the official parities.

In 1952-53, American aid to Taiwan totalled US\$105 million. Recently, it was announced that FOA appropriations for 1953-54 will amount to US\$100 million—\$70 million for economic aid and \$30 million for "defence support, common-use items". The latter include medical supplies, petroleum, oil, lubricants, textiles and machinery. It is expected that a breakdown of the items for economic aid will confirm the present trend away from consumer and towards capital goods.

Probably the outstanding event in Taiwan last year was the inauguration of a four-year plan covering all aspects of economic development until the end of 1956. This plan is important because it is designed to make the Island entirely self-supporting within a comparatively short time. The execution of the plan calls for a final amount of American aid to be given in annual sums during the four years. Thereafter, foreign exchange and budget deficits could be met from Taiwan's own resources. The targets of the plan include further industrialization, increased production of the major crops, extensive developments in irrigation, and a program of reforestation. The pivots of the plan will be an

increase in power capacity to 490,395 kw. and an increase in domestic production of fertilizer to 436 thousand metric tons a year, in rice crops to 1,850,000 metric tons a year, and in sugar production to one million metric tons a year—all to be achieved by 1956.

To become self-supporting and maintain the same standard of living, the Island will have to improve its export performance. The gap between output and receipts (in 1952 American aid accounted for about one-third of total receipts) must be narrowed, and the greater demands of a rapidly increasing population must be met. This will have to be done when American advice and supervision may no longer be available on the same generous scale and when physical assistance in the shape of machinery and raw materials to underwrite the Island's export trade will certainly be dwindling. In these circumstances, the task which the Chinese have set themselves is a formidable one.

"Land to the Tiller" Program

In agriculture, the most notable development during the year was the institution of the "Land to the Tiller" program, designed to make owner-operators out of farmers who previously were tenants under large land-owners. It is estimated that between 73 and 100 thousand acres will be redistributed under this scheme, the acreage to be made available from the sale of holdings of five large publicly-owned corporations. The Government will assist the new owner-farmers to find the working capital which the landlords traditionally supplied.

Transportation and Trade

One of the outstanding achievements of the year in transportation was the completion of a bridge 1,900 metres long across the Cho-Sui River in Taiwan's western plain. It is said to be the longest bridge in the Far East, and because it completes an all-weather road link between the major ports of Keelung and Kaoshiung, it is economically and militarily important. American assistance in the construction and repair of roads and railways continues. With the replacement of light railway sections with heavy components and the strengthening of bridges, the railways will in time be more efficient than in prewar years and will be able to carry safely heavier loads at higher speeds. Considerable modern rolling-stock is still needed.

One important trade development in 1953 was the signing in June of a further trade pact with Japan to run from April 1953 to April 1954. The total amount involved is US\$149 million—US\$74.5 million in each direction. Taiwan will supply (in order of value) sugar, rice, bananas, salt and coal and will receive machinery, fertilizers, textiles, ferrous products and wheat flour.

The overall trade picture for the first nine months of 1953 was favourable. According to statistics issued by the Ministry of Finance, exports totalled US\$90.8 million and imports US\$75.1 million, giving a favourable balance of US\$15.7 million. For the calendar year 1952 the trade balance was US\$4.3 million. Among exports, the most important exchange earners were sugar, rice, tea and bananas, in that order, accounting for about three-quarters of total receipts. The leading imports were fertilizers, mineral ores and metals, and machinery of all types.

In nearly every important aspect, the Island progressed during 1953, either in terms of actual production or in the growth of sound administration. The economy is drawing measurably, if gradually, closer to the working standards achieved by the more modern and highly industrialized nations of the West. If political developments in the Far East during the next few years permit the Chinese to carry on with these developments and if the United States continues its technical and material contributions, it seems possible that the domestic program at least and perhaps a substantial part of the external program may be achieved.

—MILTON B. BLACKWOOD

Assistant Canadian Government Trade Commissioner

Turkey

- *Encouraging reduction of foreign trade deficit indicated.*
- *Opportunities for Canadian goods if long credit offered.*
- *Mining and industry continue to make good progress.*

ATHENS—Outstanding developments in Turkey during 1953 were the bumper grain crops, the continued increase in areas brought under cultivation, and an intensified mining and industrial program. New roads and railway lines were completed and electric power output increased through the construction of new facilities and additions to existing capacity. Work was also pushed forward on the country's first oil refinery. Two new laws touching the investment of foreign capital and of petroleum capital were prepared and, although these await approval by the National Assembly, foreign private funds are entering the country. Confidence in Turkey's economic future was maintained but serious balance of payments difficulties continue and, accordingly, import restrictions have again been tightened.

The continuing trade deficit and the marketing of agricultural surpluses at world prices have become Turkey's two serious economic problems. The latter is also important politically and socially. Meanwhile domestic wheat prices are rigidly maintained well above international levels, even though Turkey is now exporting a substantial tonnage and world prices have been declining.

Turkey had the most serious foreign trade deficit in her history in 1952 with total imports at 1,557 million Turkish liras against total exports of 1,016 million. This left a trade deficit of 540 million liras or \$179 million. Increasing import restrictions are narrowing the deficit somewhat in 1953. However, during the first eight months the deficit reached 248 million liras, already more than the total trade deficit for any full year except 1952.

Furthermore, Turkey's net reserves of gold and foreign exchange have been declining steadily and by early September totalled only 100

million Turkish liras. Finally, there is an unknown total of outstanding indebtedness to exporters (mainly in Germany, Britain and other EPU countries) still uncommitted from these reserves, for imports received through customs by Turkish buyers over the past year under the old trade regime. For these transactions, Turkish currency has been paid to the collecting banks but the Central Bank has not yet granted the foreign exchange transfer applications.

Foreign Trade Policy

Steadily increasing restrictions on imports and strenuous efforts to reduce the adverse trade balance culminated in a new foreign trade regime, with even more rigid import regulations, which went into effect in November (see *Foreign Trade* of October 17, 1953). Unfortunately, this means very limited opportunities in 1954 for suppliers of dollar goods to Turkey, especially when these suppliers must also face keen European competition in prices and in extended credit terms. The new regulations suggest some opportunities for dollar area goods offered on credit terms of at least one year, but the permissible list of these essential items is very restricted. Importers are doubtful whether licences will be approved for dollar goods offered on letter of credit or CAD terms for many months. Nevertheless, the potential of the Turkish market is considerable and so also is the desire of the Turkish consumer for more and better goods—a desire which local industry can only partially satisfy. It is expected that present restrictions will be relaxed gradually as trade deficits diminish.

Main Trading Partners

Western Germany has fully recovered her prewar position as the leading country in Turkey's foreign trade, supplying 24 per cent of Turkish imports and taking 23 per cent of her exports. New commercial and payments agreements negotiated last summer ensure that Germany will have an even larger share of Turkey's foreign trade. Substantially increased German purchases of Turkish wheat and barley and in return greater sales of German machinery and manufactures to Turkey are provided for by these agreements until 1956.

Germany, the United Kingdom, and the United States have been Turkey's principal suppliers, with Britain the leader until 1949. A good part of the exports from the U.S. and Canada has been financed through U.S. economic and defence assistance programs. Recently other European countries have improved their position as suppliers to Turkey—notably Sweden, France, Belgium, Italy, and Yugoslavia.

Canada shipped only \$1.2 million worth of goods to Turkey in the first nine months of 1953 compared with \$3.7 million for the same period of 1952; agricultural machinery and spare parts formed the bulk of this trade. Canadian imports from Turkey dropped to half a million dollars for the first seven months of 1953 compared with \$2.1 million in the same period of 1952, and consisted largely of chrome and manganese ores, dried fruits, nuts and tobacco. Much lower shipments of ores were the principal reason for the decline. The balance of trade remains in Canada's favour, with lower volume in both directions.



In a plant at Izmir, skilled workers are blending various types of tobacco. Oriental leaf is selling well in Europe and growers in Turkey are benefiting.

This past year, climatic conditions have been particularly favourable in Turkey, as in other countries in this part of the world. All leading crops except cotton registered excellent or record yields; cotton went down by 30,000 metric tons to yield an estimated 140 thousand tons for 1953.

Agricultural Record Good

Grains were again up by about 10 per cent from the previous year, with wheat production at approximately 7.5 million metric tons, providing at least 1.5 million tons for export. Barley production totalled 3.4 million metric tons, with half a million tons available for export. This is the third successive bumper harvest.

Sugar beet production has doubled since 1946 and now fills domestic sugar requirements. Tobacco production is up and, because European demand for Oriental leaf is much heavier this year than at any time since the war, there should be no marketing problem. The sultana raisin crop was normal but because of the new foreign trade regime's substantial subsidies, new export prices have not yet been established and the crop has been delayed in moving to foreign markets.

Heavy expenditures on farm machinery, a national program aimed at improving farm methods, and the use of insecticides and fertilizers have combined to increase output each year, assisted by good weather conditions. However, there is still much to be done in improving techniques and in mechanization, irrigation, transportation, storage, packaging, and marketing, in order to lower the cost of production and widen Turkey's natural export markets.

There were several important developments in the mining and extractive industries in 1953. Coal, lignite and iron ore output all rose. The state-owned iron and steel works at Karabuk increased production with expanded installations and is now exporting some pig iron. Chrome ore output was higher and exports will exceed the 635 thousand tons of

1952. Plans were laid for a processing plant to use lower-grade chromite which has not yet been profitably exploited. Survey work also continued and a number of new deposits were located. Copper is Turkey's second mineral export and, after this year's improvements at the Murgul mine, some increase may be expected.

Most noteworthy among the developments in secondary industries were the Batman oil refinery on which work is now well advanced, the completion of a cement plant at Izmir, and progress on two other cement plants at Soke and Cukurova. Other important projects include the construction of two new beet sugar refining plants, a superphosphate factory and a vegetable oil mill, and modernization of the munitions plants. A growing demand for paper has led to the establishment of two more paper mills. Requirements for all types of paper in Turkey are now estimated at 45,000 tons a year, including 11,000 tons of newsprint.

Taxation and National Income

Efforts were made during the year to create a more healthy climate for business investment. Tax reforms aimed at bringing new groups under tax laws were introduced and a program of tax enforcement pursued. Various fiscal measures were undertaken with a view to balancing the national budget. However, the Government still plays an important role in many industrial enterprises and heavy capital expenditures resulted in a substantial budgetary deficit of TL199 million for the latest fiscal year. The inflationary effects of such a deficit further hindered the development of personal savings, which remain low. This will have the effect of slowing down the development program, unless unexpectedly substantial increases in the rate of foreign investment are forthcoming in the near future.

Trade Prospects

Immediate prospects for Canadian exporters in Turkey are not promising. Unless the manufacturers of essential items such as farm machinery are willing to sell on extended credit terms, 1954 will probably witness further declines in total shipments from Canada. Ever since the war, Turkey has had an adverse balance of payments which was healthy only in so far as it was essential for the development of agricultural, industrial and mining production. Unfortunately, this payments deficit has simultaneously financed an increase in imports for domestic consumption beyond its exchange capacity, when this demand was added to essential imports of capital goods. Accordingly, various measures have been taken to restrict imports with only partial success, culminating in a major overhaul of both import and export controls effective in November 1953.

Progress is evident, however, and recent trade statistics indicate an encouraging reduction in the trade deficit. Although many capital goods will still be required, their rate of import is expected to decline because expansion has now reached its peak. This, plus increasing grain and mineral exports, should improve the exchange position considerably and may permit some relaxation of present controls by the end of the year.

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Foreign Exchange Rates

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

Conversion 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 1.02794.

Country	Unit	Type of Exchange	Canadian dollar equiv. Dec. 29	Notes (See below)
Argentina	Peso	Preferential buying	·1297	
		Basic buying	·1946	
		Preferential selling	·1946	
		Basic selling	·1297	
		Free	·07002	
Austria	Schilling .....	.....	·03742	
Australia	Pound .....	.....	2·1860	
Belgium Luxem- bourg & Belgian Dependencies ...	Franc .....	.....	·01952	
		.....	·00512	
Bolivia	Boliviano	Official	·5693	(3)
British West Indies	Dollar .....	.....	2·7325	(4)
		Pound	·6831	
Brazil	Cruzeiro	Brit. Honduras	·05169	tax 8%
		Official selling	·03430	(2)
		Effective buying	·04164	(5)
Burma	Kyat	Coffee buying	·2043	
		.....	·2049	
Ceylon	Rupee .....	.....	·00884	
Chile	Peso	Official	·3891	
Colombia	Peso	Basic	·1733	(6)
		Official	·1465	*
Costa Rica	Colon	Controlled free	·9728	tax 2%
Cuba	Peso .....	.....	·1351	
Czechoslovakia ...	Koruna .....	.....	·1408	
Denmark	Krone .....	.....	·9728	
Dominican Republic	Peso .....	.....	·06486	(7)
		.....	·05617	
Ecuador	Sucre	Official	2·7935	
Egypt	Pound	Free	2·4617	
Fiji	Pound .....	.....	·00423	
Finland	Markka .....	.....	·00278	
France	Franc .....	.....	·00556	
French Africa	Franc .....	.....	·01529	
French Pacific	Franc .....	.....	·2316	
Germany	D Mark .....	.....	·000032	
Greece	Drachma .....	.....	·9728	
Guatemala	Quetzal .....	.....	·1946	
Haiti	Gourde .....	.....	·4864	
Honduras	Lempira .....	.....	·1645	*Dec. 18
Hong Kong	Dollar	Free	·05973	
		Official	·04599	
Iceland	Krona	Special buying	·03705	
		Special selling	·2049	
India	Rupee .....	.....	·08533	(8)
Indonesia	Rupiah	Basic	·00183	
		Dollar certificate		

* Latest available quotation date.