THE DEPARTMENT OF INDUSTRY, TRADE & COMMERCE

THE CANADIAN TAX SYSTEM AND EXPORTS

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REPORT TO:

INDUSTRY, TRADE AND COMMERCE

"THE CANADIAN TAX SYSTEM AND EXPORTS"

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INDEX

INDEX CONT'D

INTRODUCTION

Since the final report of the Export Promotion Review Committee, "The Hatch Committee", was released in January 1980, it has been suggested that the Canadian Tax System creates some disincentives toward exporting.

With a view to analyzing such suggestion, our report contains two main objectives:

(1) to gain an understanding of the main tax considerations in doing business abroad including a review and analysis of various methods of exporting and their related tax consequences.

(2) To identify and analyze elements of the tax system which may inadvertently create disincentives to doing business abroad.

Our report is divided in two parts to study each objective individually. Part I provides an analysis of the different methods used by Canadian corporations to export goods and services abroad together with a description of the related tax consequences. Part II reviews the tax disincentives which arise from such activities in the present Canadian tax system and sets forth the relative importance of each disincentive.

PART I

This first part of the study examines the different forms of activity, types of export items and organizational arrangements. We will also analyze their unique tax implications which, given a certain business and legal environment in the export country, may make it more or less advantageous to carry on a business abroad in a particular manner. The purpose of the first part of the study is to examine the options and tax factors which have to be taken into account in selecting one form of export activity over another.

In analyzing these options it is assumed that the exporter will always try to organize itself so as to minimize its tax liabilities.

Part I of the study is divided in three parts:

A) Summary of the forms of activity, types of export items, organizational arrangements and their tax considerations.

B) Listing of the major foreign business and tax factors which could be present in the export country and their impact on methods of export activity.

C) Description of the likely form of export activity given certain combinations of Canadian and foreign tax factors.

PART IA

Forms of Activity and relevant Canadian Tax Factors

a) Direct export sales:

This is the most elementary form of direct involvement in the international market place. This form of activity includes sales made to the ultimate consumers and sales to foreign distributors, foreign commission agents or foreign sales representatives. Assuming that none of these activities will result in the Canadian exporter having a permanent establishment in the foreign country, all sales will be taxable in Canada in the normal manner as Canadian business source income. Ordinarily there should not be any foreign income or withholding tax concerns for the Canadian company other than under a licensing agreement.

There may be some foreign exchange gains or losses if sales are payable in foreign currency but these should all be on account of income.

Canada has one basic rate of corporate tax which can be significantly reduced depending on whether the company is a Canadian Controlled Private Corporation ("CCPC") and/or is involved in the area of manufacturing and processing.

The basic rate of tax is 46% reduced by 10% for income earned in a province. Accordingly in most circumstances the federal rate of tax starts at 36%. If the company is involved in the manufacturing and processing area in Canada it may be eligible for a reduction of 6% in its tax rate from 36% to 30%. These are the general rates which apply to public companies in Canada or private companies which are not controlled in Canada.

If the company is a CCPC and has not, since 1971, accumulated more than $750,000[1] of active business income, the basic federal rate of 36% referred to above is reduced by 21% on the first $150,000[2] of annual active business income bringing the rate to 15%. This rate is further reduced by 5% if the company is involved in the manufacturing and processing area, bringing the federal tax rate from 15% to 10%.

In addition to the federal rate of tax, provincial income and capital taxes must be considered. Each of the 10 provinces has its own corporate income tax rate which can vary from a low of 3% in Quebec to a high of 16% in British Columbia. In addition, each province has its own rules for taxing small businesses and manufacturing and processing concerns. Capital tax is levied in the following five provinces: Quebec, Ontario, Manitoba, Saskatchewan and British Columbia. The general rate of tax varies from 0.2% of the paid-up capital in B.C. and Manitoba to 0.45% in Quebec. The special rate of capital tax for financial institutions varies from 0.6% to 0.9%.

Business losses realized by Canadian companies or foreign branches of Canadian companies can be carried back one year

[1]Increased to $1,000,000 in November 12, 1981 budget.
[2]Increased to $200,000 in November 12, 1981 budget.

and forward five years under the present rules. In contrast, in the United States for example the carryover period has recently been extended to allow losses to be carried back 3 years and forward 15 years.

Inasmuch as the tax treatment of direct export sales is concerned, it is similar to the tax treatment of sales made to the Canadian market.

b) Sales to Canadian Subsidiary Trade Corporations:

Some companies handle their export sales through a separate Canadian subsidiary set up expressly for that purpose. Sales to foreign customers are made through the Canadian subsidiary. This provides limited liability in respect of the foreign trading activity and helps to avoid foreign withholding taxes on dividends which would otherwise apply if a foreign subsidiary were used.

The income tax treatment of such sales would be the same as with the direct export sales form of activity.

c) Indirect export sales:

Such form of activity would include sales made to foreign customers through either a foreign branch or a foreign subsidiary of the domestic exporter or through a separate trading corporation.

The income tax implications here are not only different, but they are far more complex than in a case of direct export sales.

We will not try to cover in detail all of the income tax implications of using a foreign branch or subsidiary because they will be covered in our discussion of the organizational arrangements, but to only highlight the major ones.

It is obvious that such income earned abroad will be sourced as foreign and not eligible for the 21% small business deduction nor the manufacturing and processing tax credit. Among other things the income will probably be taxable in the foreign country where a permanent establishment exists as defined by the foreign tax laws.

For Canadian tax purposes, where such income is also subject to tax in Canada, a foreign tax credit mechanism exists.

The rules under section 126(2) of the Income Tax Act are that, a taxpayer who was resident in Canada at any time in a taxation year and carried on business in a country other than Canada, may deduct the foreign business income tax to the extent of Canadian tax payable. This rule is applicable for all foreign countries, including treaty and non-treaty countries.

The foreign tax credit may not exceed a fraction of the Canadian tax payable of which the numerator is net foreign source income and the denominator net world income. This calculation must be made on a country by country basis.

Also the credit for foreign business income tax, but not for non-business income tax, may be carried forward for five years. These Canadian rules on foreign tax credits lead to a number of problems.

These problems can be summarized as follows:

i) "Business foreign tax credit" may be carried forward for only five years and may not be carried back. Because of differing tax rules in Canada and the foreign jurisdiction this can result at times in failure to obtain full credit.

ii) Foreign tax credits may only be claimed on a "country by country basis" instead of on a "worldwide basis".

iii) In certain circumstances, the Canadian entity may not have any Canadian taxes to pay against which a foreign tax credit could be applied. The above can be either caused by a timing differential in the recognition of income between the foreign jurisdiction and Canada, or by the fact that both countries have different rules for determining the source of the income, or that the Canadian entity is simply not profitable.

iv) Non-business foreign tax credit cannot be carried over.

These problems with the foreign tax credit are dealt with in more detail in other parts of the study.

Repatriation of profits through the dividend route may be subject to foreign withholding tax. There may be foreign exchange controls (blocked currency) that may affect the repatriation of profits.

The financing of such foreign operations may cause some income tax problems to the foreign business depending on the thin capitalization (ratio of capital vs debt) rules in that country whereby some of the interest paid could be denied deduction from taxable income.

Types of Export and relevant Canadian Tax Factors

a) Manufacturing:

As mentioned earlier there may be a real incentive to manufacturing in Canada and especially if the company is a

CCPC which qualifies for the small business deduction.

In addition to reduced tax rates for Canadian manufacturing concerns, there exist other incentives in the form of deductions and tax credits.

For example, the acquisition of machinery and equipment which qualifies under the Canadian tax rules as manufacturing and processing equipment can be written off over a period of two years[3]. Most of that equipment should also be exempt from federal and provincial sales tax on acquisition. All such new equipment and qualifying new buildings should be eligible for an investment credit which can vary from 7% to 50% depending on the type of acquisition and the area in Canada in which it will be used.

As well, these companies may be eligible to deduct an additional allowance for research and development in Canada. Section 37.1 of the federal Income Tax Act provides for an additional allowance for research and development which is 50% of the excess of the current years' expenditure on R & D over a so-called "expenditure base".

Also, all of the current and capital expenditures in R & D are eligible for an investment tax credit of from 10% to 25%, the rate depending on a number of factors such as the type of corporation making the expenditure and the area of Canada in which the expenditure is incurred.

[3] Depreciation in year of acquisition limited to 50% of normal rate per November 12, 1981 budget.

Even after giving consideration to these Canadian tax incentives, there may remain a number of attractions to setting up operations abroad. Canada is not the only country giving such incentives to manufacturing concerns.

Belgium for example will exempt from taxation capital gains on buildings and equipment if held for more than five years and reinvested in similar assets where such reinvestment increases employment, productivity or economic rationalization. It will also give special depreciation privileges for research equipment.

Ireland will tax all manufacturing companies at a rate of only 10%.

Italy will grant a ten-year exemption from local income tax and will reduce corporate income tax from 25% to 12.5% for ten years for manufacturing companies.

The United Kingdom provides fast write-offs on certain plant and equipment. There is 100% write-off for plant and machinery and for investment in factories and other industrial buildings there is an initial 75% write-off with the balance written off at a rate of 48% on a straight line basis.

All such incentives combined with non-tax considerations such as: special financial assistance, maintaining of a public image, requirement by foreign government of physical presence and labour cost and availability, will affect a Canadian exporter's decision to manufacture abroad.

b) Sales:

The second type of Canadian exporter is one which exports goods either directly or through a (subsidiary) trade corporation without manufacturing them. Such an exporter will purchase export products from other Canadian companies for his own stock or will arrange for direct shipment to the foreign customer. Sales by Canadian exporters of this type involve warehousing, transportation, marketing and credit factors. This area of exporting is generally neither capital intensive nor labour intensive, and as a consequence it is not readily affected by tax measures. These companies are often private and accordingly the main incentive for such form of activity would be the small business deduction for Canadian controlled private corporations.

c) Service:

Service companies make up the third type of Canadian exporter. This is an important part of our export picture and includes businesses in the fields of engineering, consulting, transportation and construction. These firms can be labour intensive (i.e. engineering) or heavily capital intensive (i.e. transportation). In carrying out their export contracts, they may perform services both in Canada and abroad. Except for the overseas exemption, this group of exporters receives few tax incentives from Canada. Of some help to them though, is the fact that for many years Canada has pursued a policy through its tax treaties of reciprocal exemptions for ships and air carrier operations in Canada and abroad.

d) Licensing agreement:

The fourth and final broad category of export sale is that made under a licensing agreement. Instead of manufacturing domestically or abroad for export purposes, the typical arrangement will be for the Canadian exporter to enter into an agreement with a foreign distributor or manufacturer who will agree to manufacture and sell the person's goods in the foreign market in exchange for a payment that is usually called a "royalty".

Such royalties can be determined in a number of ways such as on units of sale or dollar sales volume. The licensing agreement can be a useful means of penetrating or exploiting a foreign market.

The royalty payment is usually deductible by the licensee unless the quantum is unreasonable or the payment is made in a lump sum to cover the period for which the rights were obtained.

Generally the payment of such royalties will be subject to withholding taxes by the country of the licensee although certain countries exempt royalty payments from withholding tax. In other cases the rate of withholding tax may depend on whether there is a tax treaty between the foreign jurisdiction and Canada.

From a Canadian income tax point of view the treatment of the royalty will generally depend on whether an entire right or asset was disposed or not.

Where a Canadian taxpayer disposes of his entire right, title and interest in an industrial property right such as a patent, he may be entitled to capital gains treatment in respect of his gain in accordance with the general rules distinguishing capital gains from ordinary income. A well known precedent in this regard is that of Evans Medical Supplies Ltd. v. Moriarty (1954-58), 3TT.C.540, in which the house of Lords held that a payment received for secret processes was to be treated as capital to the recipient because it had effectively parted with a market, had diminished the value of its manufacturing processes by disclosure and had entered into a transaction which was of an isolated nature. In effect, the know-how had been disposed of as one element of a comprehensive arrangement by virtue of which the company had given up its business in a particular market place. A similar decision was reached in Wolf Electric Tools Ltd. v. Wilson, (1969) 2 ALL E.R.724.

It should be noted, however, that even if a taxpayer disposes of a capital asset, where the consideration received takes the form of an ongoing royalty rather than a lump sum, it will constitute income to him.

Some of the more difficult problems to be encountered in this area involve the foreign tax credit. The credit is governed by the following formula:

Lesser of: A) Foreign income tax paid to country X, and

B) $\dfrac{\text{Net foreign income from country X}}{\text{World net income}} \times \text{Canadian tax}$

The following questions arise. Which foreign taxes qualify for a credit under section 126 of the Income Tax Act? Do they qualify as business income tax or as non-business income tax? What is the source of income for the purposes of the fraction which controls the credit? What expenses must be allocated to this source?

To answer the first question basically all foreign income and withholding taxes will qualify for credit other than registration fees, property taxes and turnover taxes that are however deductible from income.

Unfortunately, most foreign taxes fall into the "non-business income tax" category for which, as mentioned earlier, there is no carry-forward feature. However, to the extent such foreign taxes may not be deductible as a foreign tax credit, a deduction from income is allowed under subsection 20(12) of the Income Tax Act.

It is sometimes difficult to establish the true nature of a licence agreement, whether it is in substance a patent licence agreement with provision for the ancillary furnishing of know-how or whether it is essentially a technical service agreement coupled with ancillary patent protection.

In the simplest of cases, it is clear that royalty payment received by a Canadian company from a French licensee on French patents will have its source in France.

However it becomes more difficult if the licensor also provides technical information or assistance since this information may be developed in Canada and merely mailed or transmitted overseas or may involve the foreign licensor training in Canada or the assistance may take the form of Canadian employees visiting the foreign location. A method for distinguishing the source of income could be the situation where a Canadian company generates technical information in Canada within the normal course of its business and then permits a non-resident party to use that information under license. Under the above circumstance the royalty paid would have its source in the foreign country. However if the Canadian company actually generates information as a service which it is rendering to the non-resident in Canada, the income received could be conceded to have its source in Canada.

In Canada's recent treaties, it has generally been agreed that foreign countries may levy withholding tax on all manner of payments for know-how[4]. This would seem to support the argument that this kind of income is "foreign source" income.

Turning to the final question of how <u>net</u> foreign source income is computed, all expenses that can be regarded as applicable, wholly or in part, to the earning of such income should be deducted pursuant to section 4 of the Act. In principle, this would require the deduction of a reasonable proportion of the administrative expenses as well as perhaps some of the research expenditures incurred. However in practice Revenue Canada normally does not require an allocation of

[4]Article XII of the Canada/Swiss treaty.

costs other than those directly associated with providing the technical information.

Organizational Arrangements and relevant Canadian Tax Factors

a) Canadian Company - Domestic Branch:

The simplest form of export arrangement is that which results where a Canadian company carries on its export sales with foreign customers directly through a Canadian branch or division.

A Canadian branch selling abroad either as a manufacturing concern or a distributor will not ordinarily be subject to foreign taxes unless it sets up a permanent establishment in that foreign jurisdiction. This form of organization has many advantages under the Canadian Tax system. For Canadian tax purposes the company will have its income sourced as Canadian and will accordingly be eligible to claim the low rate of tax for small active businesses and the tax credit for Canadian manufacturing and processing companies.

The companies with manufacturing and processing income are also eligible to other advantages mentioned earlier such as accelerated depreciation and investment tax credits.

There is also some encouragement given to the research and development area through special deductions.

b) Canadian Company - Foreign Branch:

The main aspect in the treatment of a foreign branch of a Canadian company is that it is still subject to Canadian income tax because Canadian resident companies are taxed on their world income.

The branch will normally be taxable as well in the foreign jurisdiction which tax will be creditable in Canada to the extent of Canadian tax payable. There may be a number of reasons both tax and non-tax for one to establish a foreign branch.

What are the tax reasons?

Firstly branch losses are deductible against Canadian profits. There are no withholding tax problems on dividends or management fees as they do not exist. Also a branch would not normally be subject to the thin capitalization rules in a foreign country. Generally profits can be repatriated at no tax cost. Revenue that might otherwise be recognized on internal sales to a separate corporate entity can be avoided by using a branch. Last but not the least, it reduces the transfer pricing dilemma for tax purposes.

What are the non-tax reasons?

The use of a branch may help avoid problems with foreign exchange controls. A branch is very simple to form. Also its management will be more likely to be familiar with the Canadian form of business.

However there are some disadvantages of having a branch in a foreign jurisdiction.

If the Canadian company is realizing losses in Canada which offset the foreign profit it may prevent the use of a foreign tax credit. The different timing rules in Canada and the foreign jurisdiction on recognition of income for tax purposes may also prevent the Canadian company from using the foreign tax credit. Also the incorporation of the foreign branch at a later date may prove to be complex and costly both from a Canadian and foreign tax point of view. A branch may also present an image problem in the foreign country. The assets of the Canadian corporation can be exposed to potential claims from abroad. The foreign jurisdiction rules may require financial statements disclosure as a whole and not only as a branch. In some countries it may be more complex to register a branch than a corporation to do business.

c) Canadian Subsidiary:

A rather more complicated form of export arrangement results where a Canadian company incorporates a subsidiary for the sole purpose of handling its foreign business.

The difference between a foreign branch and a Canadian subsidiary could be in the mode of repatriation of profit to the parent company. The foreign branch would remit its profits to the Canadian head office or parent company without tax consequence. The Canadian subsidiary would have to transfer its profits to the parent company by way of dividends. Such dividends would not attract Canadian tax in the parent's hands as the dividends would normally pass as tax-free intercorporate dividends in Canada. Neither would they attract the special

Part IV tax by virtue of Section 186(1)(b) of the Income Tax Act.

It should be noted that this form of organization may be less popular for U.S. business activity in the future since under the proposed Canada/U.S. treaty, the U.S. will be entitled to impose U.S. withholding tax on dividends paid by the Canadian subsidiary to its Canadian parent.

d) Foreign Subsidiary:

In incorporating a subsidiary in a foreign jurisdiction, one may have a number of objectives. These would include the following:

i) ability to defer or avoid taxation on receipt of dividends

ii) ability of a foreign corporation to distribute dividends with nominal withholding taxes

iii) ability to shift income from a high taxing jurisdiction to a low taxing jurisdiction

In order to attain the above objectives one must select very carefully the country in which to operate. But most importantly one must be very aware of the Canadian income tax rules.

The Canadian income tax law will apply differently depending on whether one is dealing with passive or active income.

Passive Income

The passive (non-active business) income of a foreign subsidiary of a Canadian company is defined as foreign accrual property income ("FAPI"). If a Canadian taxpayer has a controlling interest in a foreign company and that company has passive income, the Canadian company must report such income on an accrual basis rather than on a received basis. Section 95(1)(a) of the Income Tax Act defines a controlled foreign affiliate as a foreign company controlled, directly or indirectly in any manner whatever by the taxpayer, the taxpayer and not more than four other persons resident in Canada, or a related group of which the taxpayer was a member.

The foreign accrual property income is defined in Section 95(1)(b) and Section 95(2). It basically includes income from property and businesses other than active businesses. It does not include property income that is incidental to an active business, dividends received from another foreign affiliate of the taxpayer, capital gains realized on sale of property used by it principally for the purpose of gaining or producing income from an active business and services income that is the transportation of persons or goods or services performed in connection with the purchase or sale of goods. In practice the distinction between FAPI and other types of income is not always clear.

When the property income is actually repatriated it is not taxable at that time in Canada as it has already been taxed on an accrual basis. However such dividends received from the controlled foreign affiliate may well have borne foreign withholding tax. This tax will not be creditable in the normal manner in Canada but instead will be eligible as a deduction on a formula basis. This summarizes in brief the rules on Foreign Accrual Property Income known as the FAPI rules.

Active Income

We turn next to the Canadian Income tax rules on active business income. Such discussion will be divided in three sub-titles being:

- Taxation
- Corporate Structure
- Financing of Foreign Affiliates

TAXATION

First, the active business income of a foreign subsidiary is not taxed in Canada on an accrual basis but only taxed, if at all, in the foreign jurisdiction.

Second, if the share participation is 10% or greater, the foreign corporation qualifies as a "foreign affiliate". The Canadian income tax treatment afforded to dividends from foreign affiliates is determined by whether the particular affiliate is resident and carries on its business operations in a "listed" or "non-listed" country. A country qualifies as a listed country if it has an outstanding tax treaty with Canada or if the Department of Finance has made significant progress in finalizing negotiations in respect of a tax treaty with the particular country.

A summary of treaty countries and "listed countries" is provided in Appendix I and Appendix 2 respectively.

If the share participation in the foreign company is less than 10%, then the dividends on these shares are fully taxable to the

Canadian shareholder and a foreign tax credit is available in respect of the foreign withholding taxes.

There are three types of earnings a foreign affiliate is considered to have under the Canadian tax rules. The first is exempt earnings and it basically includes, under the present rules, active business net earnings of the foreign affiliate earned in a listed country of which it is also resident. The second is taxable earnings which includes FAPI net of related tax and active business net earnings derived from non-listed country and/or foreign affiliate resident in a non-listed country. The third is pre-acquisition earnings and it is not a determinable amount. Instead, it is a notional account out of which dividends are generally deemed to have been paid to the extent the affiliate had neither exempt or taxable earnings. The calculations of the balances in the exempt and taxable earnings accounts commence from the beginning of the taxation year in which a non-resident corporation becomes a foreign affiliate of the Canadian shareholder.

Dividend distributions out of exempt earnings are free of Canadian tax when received by a Canadian corporation. In conceptual terms, Canada has effectively adopted the position that if Canada has a tax treaty (or a "near" treaty) with a particular country, that country is accepted as imposing a fair and reasonable tax burden on all business earnings derived in that country. However, for financing activities in certain treaty countries this is not necessarily the case. Other countries also adopt this system of exempting dividends from tax on qualifying foreign participations. For example, the Netherlands adopts this system.

If the foreign affiliate is in a non-listed country, the earnings are treated as taxable earnings and accordingly are taxable when received as a dividend by the shareholder company in Canada. A foreign tax credit is then allowed in Canada in respect of underlying foreign taxes and withholding taxes relating to the dividend.

A system which exempts dividend distributions from foreign affiliates where the earnings are presumed to have borne a fair and reasonable tax burden is certainly attractive in contrast to a gross-up and credit system because of its simplicity and significantly reduced administrative burden. A system of dividend gross-up and tax credit is one whereby the dividend received from the foreign affiliate is grossed up by the underlying corporate tax paid by the affiliate which becomes creditable against the domestic tax payable of the parent. The United States and the United Kingdom have such a system. However, the Canadian tax system invites second guessing as to what is a fair and reasonable tax burden. This is especially the case where our treaty partners provide incentives through their tax systems. For example, our treaty partner, Ireland, imposes a 10% income tax rate on earnings from certain qualifying manufacturing activities in Ireland. Certain treaty partners also extend low tax rate advantages for financing activities. What is Canada's reaction to these tax incentives? Is a fair and reasonable tax burden being imposed? Currently, the Canadian rules do not provide exceptions to our basic rules for exempt earnings because of the tax incentives offered by our treaty partners. As a result, actual or deemed business earnings derived under the particular incentives can be distributed to the Canadian corporate shareholders without attracting Canadian tax, even though they may have borne only a low rate of tax in the particular treaty country.

CORPORATE STRUCTURE

A primary decision for Canadian exporters operating outside Canada through a foreign company is the manner in which the shares in that foreign company should be held, and as will be discussed in the following section, how that foreign company should be financed. A decision must be made as to whether the shares of the foreign company should be held directly by the Canadian parent company or whether one or more foreign holding companies should be interposed between the foreign company and the Canadian parent. In making this decision, the company will normally have the following objectives:

(1) Ability to defer or avoid tax in Canada by deferring receipt of dividends.

(2) Ability of the foreign holding company to receive and accumulate dividends from the foreign company with only minimum withholding tax imposed thereon (usually by use of favourable tax treaties).

(3) Exemption from taxation of dividends received from the foreign operating company and the non-application of exchange controls or other constraints which may impact on the flexibility of a foreign holding company with respect to the application of its income.

(4) Ability of a foreign holding company to redistribute dividends with hopefully nominal withholding tax application.

(5) Ability of a foreign holding company to mix taxable surplus dividends received from subsidiaries in low tax jurisdictions with similar dividends from subsidiaries in high tax jurisdictions so as to produce an average rate within Canada's deduction limits.

An example of the use of a foreign holding company may be illustrated by reference to the Netherlands. The Netherlands is a particularly important jurisdiction for Canadian companies for the following reasons:

(1) It has one of the most extensive tax treaty networks in the world with very low rates of withholding tax on dividends, interest, and royalties. These withholding tax rates are often lower than the rates that would otherwise apply if the payments were made directly to the Canadian parent.

(2) Its internal tax system and its tax treaty with Canada facilitate the use of a Netherlands holding company by Canadians without imposition of substantial Dutch taxes because of:

(a) the participation exemption which exempts from Dutch taxation qualifying taxable dividends received by a Dutch company and gains on dispositions of qualifying shareholdings;

(b) the absence of Dutch withholding taxes on interest charges which, as will be discussed later, will permit financing arrangements to be "run through" the Dutch company;

(c) the Canada - Netherlands Tax Treaty prevents the imposition of Netherlands withholding tax on dividends paid by a Dutch company to its Canadian parent provided certain conditions are met.

Accordingly, the interposition of a Netherlands holding company between a Canadian parent and its foreign subsidiaries could provide opportunities to reduce the overall international tax burden within a corporate group. For example, under the present Canada - U.S. tax treaty, the withholding tax rate on dividends is 15% (reduced to 10% under the proposed treaty). However, the Netherlands - U.S. tax treaty only provides for a 5% rate of withholding tax on dividends. Since there is no further withholding tax under the Canada - Netherlands tax treaty, dividends from a U.S. subsidiary to a Canadian parent could be flowed through a Netherlands holding company with a 10% saving (5% under the proposed treaty) in withholding tax.

FINANCING FOREIGN AFFILIATES

Possibly, the easiest way to illustrate the concepts of affiliate financing is to review a basic structure for group financing of United States business activities. A classical and well publicized structure is the Netherlands/Netherlands Antilles structure.

Description of Structure

1. Canadian company owns Netherlands Holding Company.
2. Netherlands company owns U.S. operating company and a Netherlands Antilles ("NA") finance company.
3. Funds for financing provided to NA as capital from a Netherlands holding company.
4. NA lends funds to U.S. opco at arm's length interest.
5. NA pays low tax - say 3%.
6. No U.S. withholding tax because of extension of old U.S. - Netherlands tax treaty to the Antilles.

The fundamental objective of this type of financing structure is to shift earnings from a high tax rate jurisdiction (i.e. U.S. - 50%) to a lower tax rate jurisdiction (i.e. Antilles - 3%). However, this is subject to the limitations imposed by local thin capitalization rules and withholding taxes on interest payments. Assuming these constraints can be handled, what are the Canadian implications of these offshore financing structures?

Three issues must be considered:

(1) Foreign Accrual Property Income (FAPI)

(2) Classification of the Affiliate's Earnings - Exempt/Taxable

(3) Source of Funds

(1) Foreign Accrual Property Income (FAPI)

The first concern is whether the interest income received by financing affiliate is "FAPI" (i.e. passive income as discussed earlier in this paper such as interest, dividends, rents, or royalties of a controlled foreign affiliate that the Canadian shareholders must report in Canada in the year earned even though the income is not distributed). The basic thrust of the FAPI rules is to prevent Canadians from sheltering investment-type income in a foreign corporation from Canadian tax. A relieving provision in the FAPI rules provides that interest received by one affiliate from another foreign affiliate of the same Canadian taxpayer will qualify as active business earnings of the recipient if the outlay by the payer affiliate is deducted in computing its active business earnings. Certain precautions, however, will be necessary to ensure that the financing funds are properly used in the business of the payer. For example, this point may be easily overlooked with the consolidated tax return privilege in the United States.

(2) Classification of Earnings

As mentioned earlier, significant tax benefits may be derived if earnings are classified as exempt earnings (i.e., not subject to tax on repatriation to Canada) rather than taxable - for example, you will recall our foreign affiliate manufacturing in Ireland and paying tax at 10% and these earnings being repatriated to Canada without any further tax liability. In order for inter affiliate interest payments to qualify as exempt earnings of the recipient affiliate, the payer affiliate must be resident, and carrying on business, in a listed country and the recipient affiliate must also be resident in a listed country.

Where these qualifications are not met, the earnings will be taxable earnings.

Interest received by our Antilles finance corporation from the United States would be classified as taxable earnings which will attract Canadian tax upon repatriation to Canada because the Antilles is not a listed country. Greater benefits would be realized if the interest flow out of the United States can be established as exempt earnings of the recipient affiliate. If this can be achieved, outright tax savings are realized rather than simply a tax deferral. Furthermore, these exempt earnings can be repatriated to Canada immediately without Canadian tax.

There are at least three alternatives for planning for exempt earnings in financing affiliates under the Canadian rules:

(A) Cause a financing affiliate which is incorporated in a non-listed country to establish resident status in a listed country.

- for example, our Netherlands Antilles corporation might take on resident status in the Netherlands.

(B) Incorporate and make the financing affiliate resident in a listed country which provides reduced income tax rates for financing corporations. Possible countries for consideration would include -

- Switzerland - under the Swiss rules for domicilary companies.
- Barbados - companies incorporated under the International Business Companies Act or new Banking legislation.
- and possibly the Netherlands - based on recent special imputed interest rulings.

(C) Incorporate and make the financing affiliate resident in a listed country (preferably one with a favourable tax-treaty network) but conduct the financing operations from a foreign branch of that affiliate where the interest will be taxed at low rates. This plan is only successful if the country of incorporation taxes income on a "territorial basis" exempting the foreign branch earnings. Advance tax rulings are usually required in these cases. Possible countries for consideration would include Singapore or again the Netherlands.

In establishing any one of these alternative financing intermediaries, consideration must also be given to the withholding taxes on the interest paid by the operating company to the financing affiliate and any withholding taxes on dividend distributions out of the exempt earnings back to Canada. Furthermore, a detailed appreciation of the tax rules in the foreign jurisdiction is also required.

In some cases, it may be necessary to use a chain of finance companies. For example, an intermediary finance affiliate located in a jurisdiction with favourable treaties may be subject to high income taxes on net interest income. Accordingly, the intermediary would pay interest on to another financing affiliate in a lower taxing jurisdiction leaving a small "spread" to be taxed in the intermediary affiliate.

Where the operating affiliate would not benefit from an interest expense (possibly because of loss carryforwards or a tax holiday) consideration might be given to financing on an after-tax basis with a special class of shares. Inter-affiliate dividends are excluded from FAPI. However, care would be required to ensure earnings of the payer affiliate are sufficient to cover the dividend payments.

(3) Source of Funds

So far in reviewing these financing affiliates, we have not identified the alternatives for funding the affiliate. Funds may be provided from either offshore or Canada and, in each case, from either accumulated earnings or borrowings.

There may be valid tax reasons why funds from foreign operations are accumulated offshore rather than repatriated immediately to Canada. For example:

- the accumulated earnings may be "taxable" earnings which would bear significant Canadian tax upon repatriation to Canada, or alternatively
- dividends to Canada may be subject to significant non-creditable foreign withholding taxes.

Funds accumulating offshore must be reinvested in other foreign affiliate activities either by way of share capital or for financing in order to avoid the Canadian "FAPI" program. In a sense, the Canadian rules for the taxation of foreign affiliate dividends create a certain bias for the retention of funds offshore. The formation of financing affiliates by Canadians is, in part, a by-product or reaction to this bias.

If funds are borrowed arm's length offshore, it is normal to have such obligations assumed directly by the operating foreign affiliate in the high tax rate jurisdiction unless it is appropriate for the financing affiliate to earn a small margin on the financing on the grounds that it participated in obtaining the financing.

Funds provided from Canada are typically provided to the financing affiliate directly, or indirectly through an intermediary holding company, as paid in share capital to build a cost-free financing base. Interest on debt obligations incurred to establish share investments in foreign affiliates is currently deductible in Canada. Accordingly, where a financing affiliate is capitalized through Canadian borrowings, an interest deduction is realized in two countries (i.e. in Canada and say, the United States) on the same base of financing capital. Financing in this manner has become broadly known as the "double deduction" plan. Coupled with the possibility that the earnings of the financing affiliate may be classified as exempt earnings, this significantly reduces financing costs to the group involved.

In some cases, it may be attractive to provide the financing affiliate, or an intermediary holding company, with funds by way of a non-interest bearing demand note rather than share capital. This form of financing may be attractive, for example, to minimize capital taxes in the financial intermediary. However, this form of capitalization of the financing affiliate may create interest deductibility problems in Canada on any related debt obligations (IT-445 clearly requires reasonable interest rates on loans to foreign affiliates) and, in addition, there is a risk that income may be imputed back to the Canadian shareholder on the non-interest bearing loan[5]. These problems, however, may currently be provided for through proper planning or Revenue rulings.

We identified earlier that one of the constraining factors in establishing these financing intermediaries is the impact of withholding

[5]Commencing after 1981, a prescribed minimum level of interest will be imputed on loans by a corporation to a non-resident subsidiary per November 12, 1981 federal budget.

taxes on the interest payments. There are two aspects to withholding taxes on interest. First, what are the unilateral withholding rates and, secondly, how are they reduced by tax treaties? Examples of basic withholding rates are:

United States	-	30%
United Kingdom	-	30%
West Germany	-	25%
Australia	-	10%
Japan	-	20%
Denmark	-	0%
Norway	-	0%
Netherlands	-	0%

It is interesting to note that there is no withholding tax on interest in the Scandinavian countries and, accordingly, the success of a financing affiliate is not dependent upon tax treaty status. This is not the case for most other countries. Reliance on tax treaty provisions to reduce withholding taxes creates some uncertainty and the current high level of activity in tax treaty renegotiations is doing little to reduce this. For example, the United States is currently renegotiating these tax treaties which are of interest to Canadians planning financing affiliates.

- Netherlands
- Netherland Antilles
- Switzerland

With this amount of tax treaty negotiation activity, it clearly establishes that the exporter who utilizes this form of tax planning must be constantly aware of possible change.

PART IB

FOREIGN BUSINESS AND TAX FACTORS

This part of the study deals with the major foreign business and tax factors found in the export country that will influence the Canadian exporter's method of export activity. We deal first with the business factors and then conclude with the tax factors.

Foreign Business Factors

What are the relevant business factors? These are obviously numerous as most business operations are complex. We will review some of the more important ones.

Before commencing its foreign business operations, the Canadian company should know of the availability of skilled, semi-skilled or unskilled labour in the foreign jurisdiction in which it will operate. It should also be aware of the minimum wages and general labour costs, including social benefit costs. The Canadian company should also be informed of the local customs on working hours, holidays, expected vacations and rights of labour unions.

In doing business abroad, a Canadian company must realize that there are often significant differences between local accounting and auditing standards and principles in the foreign country as compared to what is generally accepted in Canada. Another significant matter to consider is the availability of qualified financial and accounting professional assistance in the host country which sometimes can represent a very serious problem.

The establishment of a foreign corporate entity with limited liability will help eliminate claims by foreigners against the Canadian parent company.

Exchange controls rules on repatriation of profits will be a very important factor as well as the volatility of the foreign currency in question.

There may also be some personnel considerations such as:

- Various allowances (housing, schooling, etc.) that may have to be paid to personnel sent abroad
- Costs associated with the selling or maintaining of domestic principal residence of the personnel sent abroad
- Tax equalization payments required in certain countries because of their system of high taxation
- Maintenance of a stock purchase plan participation for transferred employees vis-à-vis exchange controls and income tax rules of the host country.

Certainly one way to ensure that most of the above is taken into account is to hire competent and qualified local legal expertise.

An important non-tax factor would be the existence of financial incentives in the host country. Many countries offer these incentives, for example: Belgium has a system of interest subsidies, capital grants (exempt from tax), state guarantees on loans, nonrefundable employment grants, export credit insurance, export credit financing and incentives to promote industrial development and research activities. Other countries that have similar incentives are Italy, The Netherlands and obviously Canada. These incentives in general however are all directed toward favouring exporting and not really to encourage the establishment of a corporation in the foreign jurisdiction.

Among other business factors that could influence the establishment of a foreign entity are the need of a local image, the volume of business expected (will it be one short deal or a long term commitment) and local laws that may require a physical presence.

<u>Foreign Tax Factors</u>

A number of countries offer generous tax incentives in order to attract foreign businesses to establish themselves in the host country.

A White Paper prepared in 1977 by a special committee for U.S. exports on "Increased Importance of DISC as an element of U.S. policy in International Trade", compared the United States to ten other countries vis-à-vis tax benefits directly related to export sales. These ten countries were France, Belgium, the Netherlands, West Germany, United Kingdom, Italy, Spain, Ireland, Japan and Brazil.

And if we refer to Part IIB of this study the effect of such benefits can be seen on "Table 12". Six of the above (excluding Belgium, Spain, Ireland and Brazil) ten countries are among the top ten countries we export to the most.

The White Paper compared the U.S. DISC program with the tax-related export subsidies available to exporters of other countries.

A complaint in the Paper was that[6] "an exporter in Europe or Japan could generally obtain almost total freedom from income tax on his export operations by setting up a selling branch or subsidiary in a tax-haven country, funneling export sales through that company, and allocating an unrealistically large portion of the export income to the

[6]Executive Summary - page 1
Published by The Bureau of National Affairs Inc., Washington D.C., 8-9-77.

tax-haven entity rather than to the domestic parent. In most countries, the income allocated to such an off-shore affiliate is either not taxed at all or taxed at greatly reduced rates. Nor are dividends paid by such tax-haven companies to their domestic parents taxed effectively. In addition, a foreign company's export activities can provide further tax benefits in the form of special credits, reserves or depreciation allowances which can be used to reduce taxes on its non-export income. These direct-tax benefits increase the profitability of foreign exporters and enable them to reduce prices to gain a competitive advantage over U.S. firms".

We believe that such complaints are also if not even more applicable to Canada. The U.S. has the DISC program and even if it is only a method to defer tax and not to exempt from tax export sales it is still better than Canada which has no tax incentive program to promote export sales. Certain of the incentives for the above mentioned countries are as follows.

Firstly in Ireland, commencing January 1, 1981, all manufacturing companies in Ireland will be subject to an effective rate of tax of 10%. Italy also has some incentives for manufacturing companies located in the southern part of the country. A 10 year exemption from local income tax (which is at 15% presently) as well as a reduction from corporate income tax from 25% to 12.5%. However if the head office of such company is located outside the designated area, then only the local income tax exemption will be available.

One interesting point about Italy is that royalty fees paid to a licensor domiciled in a country with which it has a tax treaty will not bear any withholding tax.

The United Kingdom also has many incentives for U.K. companies. These incentives include accelerated depreciation (100%) for plant and machinery as well as an initial 75% write-off for investment in factories and other industrial buildings and the balance depreciable at a rate of 48% a year on a straight line base.

Another appealing U.K. incentive is the "Stock Relief System". The incentive was introduced on January 1, 1973 and it deferred from tax, increases in inventory values, whether produced by increases in price or volume.

However on January 1, 1980 a permanent relief from income tax was introduced to account for the effect of price changes on the value of opening inventory.

And lastly the United States.

Sales profits may be deferred from U.S. tax if a wholly-owned U.S. subsidiary qualifies as a domestic international sales corporation (DISC). To qualify as a DISC a company must meet the following tests:

i) 95% or more of the gross receipts must be export receipts

ii) there must be only one class of capital stock with a par or stated value of at least $2,500 for each day of the taxable year

iii) the qualified export assets must equal 95% or more of all assets at the close of the taxable year

iv) an election must be made for a company to be considered a DISC.

A DISC need not have any substance. What are the favourable tax consequences of such a company?

Firstly, there are two rules:

i) The four percent rule whereby four percent of the gross receipts of the parent company from export sales are allocated to the DISC or

ii) The fifty percent rule whereby fifty percent of the combined taxable income of the parent company and the DISC on export sales is being allocated to a DISC.

Providing a DISC meets the necessary qualifying tests, up to one half of its income will be exempt from U.S. income tax. Instead the income is deemed to be distributed to its shareholder (parent) as a dividend. However, under the 1976 Tax Reform Act the DISC deferral benefits could be recaptured if the DISC level of taxable income does not continue to increase.

The United States and Canada, as mentioned earlier in this paper, follow a world income concept. However, some countries follow a territorial concept of income whereby only the income earned within the domestic country is taxable by them. The following countries follow what can be called a modified territorial concept of income.

In France the income of an off-shore selling branch or subsidiary is not subject to French income tax. Moreover, the French parent may exclude from its taxable income 95 percent of all dividends received from an offshore subsidiary.

In the Netherlands income of a foreign subsidiary is not subject to Dutch income tax. Moreover, the dividends paid to a Dutch parent company by a sales subsidiary in a tax-haven country are free of Dutch income tax provided the foreign subsidiary is subject to some income tax (no matter how low the rate).

The Brazilian corporate income tax applies only to income earned within Brazil. The income earned outside Brazil by a foreign branch or affiliate is thus free from Brazilian tax. Moreover, the payment of dividends by a foreign subsidiary to a Brazilian parent is also free from tax in Brazil, even where the off-shore subsidiary pays no income tax in the country where it is domiciled.

Finally under Belgian law, the income of an offshore branch is taxed at one-quarter of the ordinary corporate income tax rate, provided that the income arises from activity conducted abroad (as would be the case with a tax-haven selling branch) and is taxed by the off-shore government, no matter how low that government's tax rate may be. Moreover, the amount of tax paid in the foreign country is deductible by the Belgian parent. This means that a Belgian company exporting through a branch in a low-tax country finds almost 75 percent of the income allocable to the branch to be _exempt_ from tax. The tax treatment of sales through a foreign subsidiary can be even more beneficial to the exporter. Belgium does not tax the income of a foreign subsidiary. Moreover, 95 percent of the dividends received from that subsidiary can be excluded on the tax return of the Belgian parent corporation.

Canadians may therefore be expected to set up in say Belgium or the Netherlands and sell through a branch in a listed country to take advantage of other countries' incentives.

PART IC

CHOOSING BEST FORM OF EXPORT ACTIVITY

In this section of the report, we summarize the results of our research in Parts IA and IB and identify with appropriate reasons the most likely method of export activity that various types of Canadian exporters would adopt given certain combinations of Canadian and foreign tax circumstances. The various forms of exporting and the manner in which they are organized are summarized hereunder. The X's indicate the most likely method of export activity to be used by exporters as suggested later in the report.

Form of Export	Direct Export		Indirect Export	
	Cdn. Branch	Cdn. Subsidiary[7]	Foreign Branch	Foreign Subsidiary
Manufacturing	X	X		
Sale				X
Service	X	X		X
Licensing	X			

There are a great number of alternatives available to the Canadian businessman who is involved in the export business. Probably the easiest method for sorting them out is to first determine under what form of activity each form of export would work best.

Manufacturing:

Manufacturing in Canada is characterized by a heavy investment in machinery and equipment. The Canadian income tax system has been designed to recognize that characteristic and is quite generous, as it can be seen from earlier in this paper, for manufacturing companies

[7] or a Canadian Trade Corporation.

established in Canada. Such companies are allowed a reduced rate of tax of 41%, accelerated depreciation, investment tax credits on the cost of new qualifying building, machinery and equipment and research expenditures. And if such company can qualify as a small business eligible for the small business deduction then its rate of taxation could be as low as 13% (both Federal & Provincial tax) if it had its permanent establishment in Quebec. Obviously the lower the effective Canadian tax rate, the less the incentive to manufacture abroad (other things being equal).

As the company grows it may loose such advantage and see its rate of tax increase to 33% in Quebec or as high as 46% in British Columbia. Compensating for these relatively higher rates is the fact that the income of manufacturing companies subject to taxation can be brought down substantially by fast write-off rules in Canada as well as by the special allowance for research and development.

So when one compares the corporate tax rate in Canada and especially for small businesses in Quebec with a foreign jurisdiction, our manufacturing companies are relatively well treated.

Generally speaking, it would appear that strictly from a tax point of view Canadian corporations are far better off to manufacture in Canada and sell abroad.

Because of the formula used to determine the manufacturing and processing tax credit it may be preferable to have the manufacturing side of their business incorporated as a separate business. Such a structure would permit the manufacturing active business income to be 100% subject to the tax credit assuming there is a manufacturing profit.

Sales:

A Canadian company involved in the sale of goods either within Canada or abroad does not benefit from any special treatment under the Canadian income tax system, other than the small business deduction allowed to Canadian Controlled Private Corporations on Canadian source active business income and the 3% inventory deduction.

The small business deduction, mentioned earlier, is a federal tax credit of 21% on the first $150,000 of taxable income. Such advantage is available up until the company has accumulated $750,000 of taxable income. This small business deduction could be an incentive to operate domestically at the beginning.

However as the corporation grows and becomes subject to the higher rate of tax of some 50%, it may prove to be expensive to operate domestically. A comparative or an even better tax system in a foreign jurisdiction could be enough to justify the establishment of a foreign operation. Add to this such non-tax considerations as the need for a public image in the foreign country, labour availability and costs, etc. and it would not be hard to justify the establishment of a foreign sales operation.

Because of Canada's taxation of world income, it is sometimes advantageous and necessary to establish a foreign subsidiary instead of a foreign branch in order to escape Canadian taxation.

And if such structure is established one may want to evaluate the merit, discussed earlier in this paper, of using a separate holding company established in a low taxing jurisdiction to provide the required financing.

Service:

The service industry covers a multitude of activities largely centering on the supply of managerial and professional labour.

The supply of managerial and professional labour includes consultants in a variety of fields like management, finance, computer services and it also includes engineers and architects. In this industry, people must be as mobile as the business. Business in the service industry can be found in numerous countries and it is not rare to see larger organizations operating in ten or more countries at a time on different projects.

We will discuss in this section of the paper the contracting industry, the consulting industry and the typical "turnkey plant" contract.

A taxpayer in setting up for example a foreign service company must be very careful that the FAPI rules do not apply.

Whenever a controlled foreign affiliate derives income from services (or an undertaking to provide services) the income therefrom shall be included in its FAPI if:

- the payment for such service is deductible in computing a business carried on in Canada by the controller of the affiliate or any related person; or
- the services are to be performed by the controller or any related person who is a Canadian resident individual.

Contracting:

What is usually involved is a project of some considerable size (a dam, power plant) carried out in a country that is underdeveloped. The underdevelopment adds to the normal uncertainties of contracting while the nationalism often demands that a separate domestic corporation be formed. Some countries simply do not permit a foreign corporation to carry on business in their countries without a physical presence, formation of a local corporation is often advised as being highly desirable to obtain the contract.

Consulting:

The Canadian experience is once again largely with the developing countries and largely through the auspices of Canada's foreign aid programs. In the case of multinationals, service subsidiaries can be established in tax haven or low taxing jurisdiction and have actual substance because of the numerous contracts their status may bring them.

However because of the Canadian sponsorship or other business considerations the usual form of organization required will be the performance of foreign consulting services directly by the Canadian company.

Turnkey Plant:

The typical turnkey contract is between a firm that has developed knowledge of a particular process and a firm or country that wishes to use it. The agreement is that the process-owner undertakes to oversee the completion and starting-up of plant in the foreign country to the point where the plant is operated according to agreed standards. Payment is made to the process-owner, either for the use of his know-how or as a fee for managing the plant construction, but in either case recognizes that it is at least partly in consideration for previously developed expertise.

Unless the income derived from the services will be FAPI or that the income tax rate in the foreign jurisdiction is higher than the Canadian rate, chances are that a foreign subsidiary will be formed in a low taxing jurisdiction if the volume of work can justify its formation and continuing operation.

Licensing:

Frequently manufacturers find that foreign markets can be efficiently and profitably served by making arrangements with foreign firms to manufacture and/or distribute the desired goods under licence. This will also often have the effect of reducing the investment cost of the Canadian Corporation. Such income can take the form of patent or trade-mark royalties, know-how fees, profit participations, etc. as discussed earlier in the report.

The main tax problem encountered when deciding on the most appropriate corporate structure is the nature of the income derived versus the FAPI rules.

It is our understanding that income earned from a licensing agreement could be considered as passive income i.e. income derived from property and subject to the FAPI rules. If such is the case there would be little justification for establishing a foreign branch or subsidiary. In such situation the taxpayer will likely prefer to operate domestically, suffering the withholding tax on the royalties which would be creditable in Canada as a foreign non-business tax.

Summary and Conclusion

In most cases, Canadian exporters will begin their export sales in a small way and will not give much thought to setting up a foreign structure through which to operate.

However, as volumes increase and profits from foreign sales grow, the Canadian businessman will be concerned by the level of foreign taxes levied on his foreign sales and by the possibility that by operating through a subsidiary in a foreign jurisdiction, he will be able to take advantage of lower rates of tax on foreign earnings than exist in Canada. This is especially important where the foreign earnings are derived by subsidiaries in "listed countries" (appendix 2) since dividends from these companies may be returned to Canada free of Canadian tax.

For Canadian manufacturers, our tax system offers a considerable number of tax incentives so that there is not a great amount of pressure to incorporate abroad. They will tend to sell directly from Canada.

Companies which sell Canadian goods abroad without manufacturing them receive few incentives under our tax system because they are not capital intensive. Often they will develop international trade between countries other than Canada, a type of business which need not be taxable in Canada and for this reason they will find advantage in establishing non-Canadian subsidiaries through which to conduct their non-Canadian export business.

Service companies in Canada often tend to deal with developing countries in Africa, the Carribean, the Middle East and South

America. These countries are generally not "listed countries" for Canadian tax purposes. The type of business requires personnel to be sent abroad temporarily from Canada and contracts are generally not of a repetitive nature with any one customer or country. The services performed on these foreign contracts may be carried out partially in Canada. Often, as in the case of the transportation industry, special tax exemptions exist, either as a result of international agreements or as a result of negotiations between the Canadian exporter and the foreign government. In these circumstances, the foreign services are generally provided directly from Canada. In some cases, where service contracts are of a substantial size or of a longer term nature with a listed country, it will be advantageous from a Canadian point of view to set up a foreign subsidiary. Separate subsidiaries, domestic or foreign, are also used where, as in the case of the construction or shipping industry, there is a greater than normal amount of risk in the business.

Licencing abroad is generally carried out directly from Canada because licence income qualifies as FAPI and accordingly cannot be shielded from Canadian taxation through the use of a foreign subsidiary.

PART II

INTRODUCTION

In the first part of the report, consideration was given to identifying the tax consequences of various types of exporting. Part II analyzes the tax disincentives that have evolved under the Canadian tax system, either inadvertently or by design.

This second part will be divided into three subdivisions being:

a) Listing of business operations and resource requirements and the corresponding tax disincentives.

b) Export groupings by dollar level.

c) Priorizing of the disincentives and alternate methods.

PART IIA

LISTING OF BUSINESS OPERATIONS AND RESOURCES REQUIREMENTS

In the following table, each of the tax disincentives which we have identified as being present in the Canadian tax system are set forth by reference to the nature of business operations and resources required under each form.

Types of Export Activity	Business Operations & Resources Required	Disincentives and Corresponding Comments
A) Manufacturing	i) Sales-receivable Finances	i) Not all Canadian treaties provide exemption from withholding taxes for interest (finance charges) on export sales from Canada.
	ii) Working capital	Long waiting period sometimes occurs before receivables are paid. However taxation is still on an accrual basis regardless. A general tax reserve could be allowed for foreign receivables from arm's length customers. An alternative would be to permit such receivables to be taxed on a cash basis.
	iii) Capital equipment	No special incentives provided for capital equipment used for exporting. Basically only the the manufacturing industry benefits from incentives on purchase of its capital assets. Additional incentives may be given to encourage export sales such as greater rates of depreciation, investment tax credits or even direct grants instead of tax deduction, etc. in respect of export related assets.

Types of Export Activity	Business Operations & Resources Required	Disincentives and Corresponding Comments
	iv) Investment tax credit	This credit is allowed only for new machinery equipment and building. In periods of inflation and high interest rates the investment tax credit might be allowed on used equipment which is used to produce export goods. The investment tax credit could also be carryable over a longer period or become refundable.
	v) Other	i) If we go back to the first part of the study, one of the requirements for a foreign affiliate to have its earnings exempt is that it must be resident and carrying on business in a listed country. We do not necessarily think that it is fair to assume that only the corporations resident in a listed country bear a fair and reasonable amount of tax. The concept of exempt earnings may be extended to a larger group of countries, especially those where there are good export opportunities for Canada. ii) The investment per se in a foreign affiliate is considered by the Canadian parent company on its balance sheet as an item of capital. Maybe the costs of such investments should be fully deductible at the discretion of the taxpayer and recapturable on disposition or redemption of the shares.

Types of Export Activity	Business Operations & Resources Required	Disincentives and Corresponding Comments
B) Sales	i) Sales-Receivables ii) Finances iii) Working capital	Problems encountered in this area by wholesalers or retailers are of the same nature as for manufacturers.
	iv) Other	i) At present, all foreign currency gains of an income nature are being taxed on an accrual basis while capital gains items are taxed on a realized basis. An alternative could be that all income of such nature be accounted on a cash basis only. ii) Foreign exchange accrued losses (current and long-term) realized by exporters on financing the export business may be permitted ordinary income treatment. iii) Foreign taxes paid by foreign branches on income realized can be carried forward only five years. These rules have been in existence for many years now. The present economic situation certainly warrants new rules. Alternatives to the present rules could be for the foreign taxes to have a longer carryover period. Also the calculation may be allowed to be made on a worldwide basis as well as on a country by country basis. The carryover period is presently available only to foreign business tax. The foreign non-business tax credit perhaps could be allowed a carryover period.

Types of Export Activity	Business Operations & Resources Required	Disincentives and Corresponding Comments
		iv) Similarly to the above, losses realized by foreign branches may also be eligible to be carried forward for a longer period. It is suggested that a ten or even fifteen year carryforward period would be more appropriate. As for the carryback period maybe the construction industry operating abroad would benefit from a greater period. The period envisaged could be the duration of the contract as often losses are finally determined only at the end of the contract. Alternatively, rules in the foreign jurisdiction could be adopted on foreign contracts. v) In situations where a foreign branch or subsidiary of a Canadian taxpayer operates or even has properties in a non-listed country there could very well be some double taxation problems. Maybe Revenue Canada should be left with some discretion re: determined incentives that could be granted when a lucrative foreign market can be developed.
C) Service	i) Personnel	There is a serious problem of residency for personnel moving abroad. Per interpretation bulletin IT-221R they must be

Types of Export Activity	Business Operations & Resources Required	Disincentives and Corresponding Comments
		abroad for some two years before they can be considered non-resident, even though an "overseas employment deduction" of a maximum $50,000 becomes applicable after six months. Canada may want to consider softening its rules to render Canadian companies more competitive abroad.
	ii) Working capital and financing	i) The construction industry faces a serious problem in determining its income for tax purposes. Presently such income must be reported on the so called "Percentage of Completion" basis except when the contract can be expected to be completed within two years, in which case the "Completion method" is allowed by Revenue Canada. Alternatively the Department could change this practice where a foreign contract is involved. To improve our competitiveness abroad, Canadian contractors could be allowed to choose either of both methods of reporting income on foreign contracts. This change would also greatly improve the contractor's cash flow. ii) As discussed under Part IA of this study one problem area of "service and licensing" is the sourcing of such income.
	iii) Capital equipment	This is an industry where capital assets are expensive especially when the assets must be taken abroad.

Types of Export Activity	Business Operations & Resources Required	Disincentives and Corresponding Comments
		Special incentives may be given to contractors on these assets. The incentives could be either by way of non-reimbursable direct grants, low interest loans or special tax deductions.
D) Licensing	i) Sales	Certainly the great disincentive in this area is the treatment of the income for tax purposes. It appears that Revenue Canada would consider such revenue as passive when one operates through a foreign subsidiary and the FAPI rules apply. It is suggested that such licensing income could be taxed in the same manner as if it was the result of a manufacturing operation. The theory behind the above comment is that the net profit from licensing should be viewed in the same light as profits realized from manufacturing.
	ii) Working Capital	As mentioned earlier in the report a serious problem for a Canadian receiving royalties from abroad is the determination of the source of that income. If it is not considered to be foreign source income, than there will be a problem in claiming appropriate foreign tax credits in Canada.

Summary of the listed disincentives

1. Not all Canadian treaties provide exemption from withholding taxes for finance charges on export sales.

2. Foreign receivables of domestic exporters are being taxed on an accrual basis.

3. Lack of accelerated depreciation for capital equipment used for exporting.

4. The investment tax credits are being allowed only on new (but not on used) specified assets utilized in Canada, can be carried forward only five years and are not refundable.

5. Foreign affiliates must be resident and carrying on business in a listed country to have their active income considered as exempt earnings.

6. The investment in a foreign affiliate is of a capital nature and not deductible from income.

7. Foreign currency gains of an income nature are currently taxed on an accrual basis, before being realized.

8. Canadian exporters' foreign exchange accrued losses (current and long-term) realized on financing of export business presently receive capital gains (losses) treatment.

9. Foreign business tax credits may be carried forward only five years and cannot be carried back.

10. There is no carryover period for non-business foreign tax credits.

11. Foreign tax credit can be claimed only on a country by country basis instead of on a worldwide basis.

12. Foreign business losses can be carried back only one year and forward only five years.

13. Double taxation problem in non-listed countries.

14. There is a serious residency problem for Canadians in the service industry required to move temporarily abroad.

15. Canadian contractors must basically use the "percentage of completion" method of reporting income, even on export sales.

16. There are no special incentives to contractor who must bring expensive equipment abroad.

17. Licensing income is often considered of a passive nature.

18. Grants may be preferable to tax deductions for companies in a loss or breakeven position.

PART IIB

EXPORT GROUPINGS BY DOLLAR LEVEL

In the Hatch Committee Report entitled "Strengthening Canada Abroad", the following table was prepared to show the benefits exporters in other countries receive in the form of export tax incentives.

TABLE 12

EFFECT OF CERTAIN FOREIGN EXPORT TAX PRACTICES [8]

Effect Attributable to Export Tax Incentives on a $10,000 Export Sale

Country	Increase in After-Tax Profit (dollars)	Increase in After-Tax Profit (per cent)	Possible Export Price Reduction (dollars)
Belgium	300	28.7	330
Brazil	200	14.3	223
France	280	28.0	300
Ireland	1,000	100.0	1,000
The Netherlands	290	27.9	320
Spain	65	5.1	90
United States (DISCs)	240	24.1	

In order to priorize the disincentives listed in Part IIA of this study it was felt that it would be useful to identify Canada's export activity by broad groupings.

In our search for statistical information, we found significant problems in finding information which distinguished between exports carried through foreign branches as compared to foreign subsidiaries. It appears that the only kind of statistics available are on direct export sales.

[8] Strengthening Canada Abroad page 40
Report of the Export Promotion Review Committee - January, 1980.

The statistics that are produced in the appendices are as follows:

Appendix 4: Exports to principal trading areas.

Appendix 5: Exports to principal trading areas by commodities.

Appendix 6: Domestic exports by country.

Appendix 7: Exports by province of lading and by commodities.

Appendix 8: Domestic exports by commodity category.

The statistics shown in Appendix 6 permit us to recognize the ten most important countries of export by Canada. Based on figures for the months of January to June of 1981 these countries are:

	Countries	Dollar ($,000)	Percentage %
1.	United States*	$27,626,889	67.46
2.	Japan*	2,209,547	5.40
3.	United Kingdom*	1,644,815	4.02
4.	U.S.S.R.	661,376	1.61
5.	West Germany*	658,062	1.60
6.	Netherlands*	588,327	1.44
7.	Italy*	522,035	1.27
8.	Peoples Republic of China	489,445	1.20
9.	France*	478,688	1.17
10.	Venezuela	393,834	0.96
11.	Other countries	5,681,203	13.87
		$40,954,221	100.00%

* Listed country

As well from Appendix 8 we are able to rank Canadian exports by commodity as follows:

1. Transportation equipment
2. Wood and paper
3. Crude oil, natural gas and other crude minerals
4. Food, beverages and tobacco
5. Non-ferrous metals
6. Crude materials, metal ores and scrap
7. Chemicals
8. Apparel, footwear, toys, medical, etc.
9. Petroleum and coal products
10. Industrial machinery
11. Others

COMMENTS

Some general conclusions may be seen from these statistics which will be of help in priorizing the tax disincentives in the last part of the study.

Because of the lack of statistical information on indirect sales and the importance of direct export sales to the Canadian economy, which amounted to $75,963,883,000 in 1980 being 25% of the Canadian Gross National Product, it may be fair to assume that the most important method of exporting for Canada is through direct export sales.

At present, we know who are Canada's main countries of exports and the major commodities exported. It might be a good idea to review the top 20 to 25 countries to which we export to see if they should be listed.

For certain commodities of export such as cereals, wood and paper, mines or oil and gas no other form other than direct sales can be thought of because you just can't move either a mine, oil well or a field to the Netherlands or any other foreign jurisdictions.

Within such constraints, the disincentives listed in Part IIC are almost exclusively related to direct export sales.

It is a fact that many direct export sales are made to related companies abroad but only a field study could really measure its magnitude.

PART IIC

PRIORIZING OF EXPORT DISINCENTIVES AND THE ALTERNATIVES

In order to better priorize the disincentives, they are categorized under the following three headings.

A) Income recognition

B) Tax calculation

C) Incentives

Disincentives	Alternative Methods
A) Income recognition	
1. Foreign receivables of domestic exporter are being taxed on an accrual basis.	Canadian exporter could sell on a consignment basis.
2. Foreign currency gain of an income nature is currently taxed on an accrual basis before being realized.	Purchase of exchange futures.
3. Canadian exporters' foreign exchange accrued losses (current and long-term) realized on financing of export sales presently receives capital gains (losses) treatment.	None
4. Restrictive residency rules for individuals working abroad as described in IT-221R.	Use of non-Canadian personnel.
5. Canadian contractor must basically use the "percentage of completion" method of reporting income, even on export sales.	None when dealing with contract of a duration greater than two years.
6. Licensing income is often considered of a passive nature.	None
7. Foreign affiliates must be resident and carrying on business in a listed country to have its active income considered as exempt earnings.	None other than for financing affiliate as described in page 22 of this report.

Disincentives	Alternative Methods
8. Double taxation problem in non-listed countries.	Will either avoid doing business in such jurisdictions or avoid repatriating profits to Canada.
9. Not all Canadian treaties provide exemption from withholding taxes finance charges on export sales.	None
10. Grants may be preferable to tax deductions for companies in a loss or breakeven position.	None
11. Deductibility of the investment in a foreign affiliate.	None
B) Tax calculation	
1. Foreign business losses can be carried back only one year and forward only five years.	None
2. Foreign business tax credits can be carried forward only five years and cannot be carried back.	None
3. Foreign tax credits can be claimed only on a country by country basis instead of on a worldwide basis.	None
4. There is no carryover period for non-business foreign tax credit.	None
C) Incentives	
1. The investment tax credit is being allowed only to new specified assets used in Canada. It can be carried forward only five years and is not refundable.	Manufacture abroad in a country which provides more favorable investment tax credits.
2. There are no special incentives to a contractor who must bring abroad expensive equipment.	None

3. Lack of accelerated depreciation especially directed to domestic exporters for the purchase of production equipment. None

The order of priority of the listed disincentives on the previous page has been established on a "subjective" basis which reflects the experience of a number of tax specialists involved in the preparation of this report. To obtain a more refined or objective basis of establishing priorities would require further research and further contact with officers of Canadian exporting companies.

CONCLUSION ON OVERALL STUDY

In general, the Canadian tax system is neutral towards our export industries. Companies which manufacture or purchase goods or services for sale in Canada or abroad are treated much the same. Our tax system tends to favour the manufacturer rather than companies which purchase goods for resale or which supply services at home or abroad.

Where goods or services are exported however, there are certain tax disincentives inherent in the system. They are there more by inadvertance rather than design. While it is acknowledged that such disincentives exist, they are relatively insignificant compared to the major tax incentives which are built into the Canadian tax system to encourage the growth of Canadian manufacturing and processing.

The purpose of this study though was to search for and identify the tax disincentives that do exist and our comments, as set out in Part IIC were organized in three categories.

In the first category were the disincentives that relate to various types of premature accounting for foreign income. This income would include unpaid foreign receivables, unrealized foreign exchange gains and unrealized profits on foreign contracts which must be accrued in accordance with the Canadian tax rules. Where such foreign income is recognized prematurely, the tax impact on the prerecognition of income uses up much of the Canadian working capital which is required for the export sales. Such sales can be much riskier than domestic sales, they can also result in lower profitability and slower collections.

The first category also emphasizes the significance of Canada's tax treaties to exporters. These tax treaties are in many cases the only protection many of our exporters have against double taxation. In certain very favourable cases, they may help avoid any instance of taxation in the foreign country. The Department of Finance should be encouraged to do everything possible to enlarge the number of tax treaties Canada has with other countries and to consider an expansion in the number of countries which qualify as "listed countries" as per Appendix 2.

The second type of tax disincentives lies in the area of the taxation of Canadian businesses which establish foreign branches to manufacture or process goods abroad. The report points out that there are no fast write-offs or investment credit for foreign branches or foreign research which would form part of a Canadian export business. These disincentives are presumably by design, as the Canadian government's policies are framed to encourage manufacturing and process and scientific research at home rather than abroad.

The final type of disincentive, and for many the area of most concern, lies in the technical problems that exist in the Income Tax Act dealing with foreign income and foreign taxes. The types of export mostly affected by such disincentives are service and licensing. Why, the Canadian businessman may ask himself, should I go to the trouble and energy of seeking export sales if the combination of Canadian and foreign taxes will effectively take away all my profits. The report points out a number of deficiencies in the area of our foreign tax credits and the carry over rules for business losses, foreign taxes and investment tax credits. It would be a most constructive outcome of this study if the rules in this area were reviewed and improved, particularly from the point of view of the Canadian exporter.

Presently, the Canadian Income Tax System does set a bias for the establishment of foreign corporate entities for those companies who are sufficiently large and sophisticated to properly utilize them. This is especially true when one reviews the above problems associated with direct export transactions and foreign branches and realizes the favourable Canadian rules on repatriation of profits to Canada from affiliates in certain foreign jurisdictions.

THE CANADIAN TAX SYSTEM AND EXPORTS

Appendices

1. Treaty countries
2. Listed countries
3. Provisions of ITA dealing with doing business abroad
4. Exports to principal trading areas
5. Exports to principal trading areas by commodity and country
6. Domestic exports by country
7. Exports by province of lading and by commodity
8. Domestic exports by commodity category

APPENDIX I

TREATY COUNTRIES

Australia
Austria
Barbados
Belgium
Denmark
Dominica
Finland
France
Indonesia
Ireland
Israel
Italy
Jamaica
Japan
Korea
Malaysia
Morocco
The Netherlands
New Zealand
Norway
Pakistan
The Philippines
Romania
Singapore
South Africa
Spain
Sweden
Switzerland
Trinidad and Tobago
West Germany
United States
United Kingdom

Revised tax treaties signed but not yet ratified:

Australia
Jamaica
Liberia
New Zealand
United States
West Germany

Comments

The importance of these tax treaties for Canadian exporters is twofold. The treaties generally protect Canadian businesses from income tax in foreign jurisdictions where they do not have a permanent establishment. Treaties also limit the levels of withholding taxes and provide mechanisms for dealing with disputes over double taxation.

Where a Canadian company has a subsidiary in a treaty country, it may receive dividends paid out of the subsidiary's retained earnings from carrying on business in that country free of tax in Canada.

APPENDIX 2

LISTED COUNTRIES

Antigua
Argentina
Australia
Austria
Bangladesh
Barbados
Belgium
Belize
Brazil
Cyprus
Denmark
Dominica
Egypt
Finland
France
Germany
Indonesia
Ireland
Israel
Italy
Jamaica
Japan
Kenya
Korea
Liberia
Malaysia
Montserrat
Morocco
The Netherlands
New Zealand
Norway
Pakistan
Philippines
Portugal
Romania
St. Kitts-Nevis-Anguilla
St. Lucia
St. Vincent
Senegal
Singapore
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Trinidad and Tobago
Tunisia
United Kingdom
United States
Zambia

Comments

All the countries listed in Appendix I are also part of the above "Listed Countries". The additional countries represent the countries with whom Canada is under negotiation for a treaty. Active business income generated by a foreign affiliate of a Canadian corporation operating in one of the above jurisdictions will qualify as exempt earnings when repatriated to Canada.

APPENDIX 3

SOME PROVISIONS OF THE INCOME TAX ACT DEALING WITH DOING BUSINESS ABROAD

SECTION	DESCRIPTION
4	Income or loss from a source or from sources in a place.
20(11)	Deduction of foreign taxes, on income from property exceeding 15%, from business or property income.
20(12)	Deduction of foreign non-business income tax from business or property income.
20(13)	Deduction of a dividend on share from foreign affiliate of taxpayer.
80.1	Expropriation assets acquired as compensation for or as consideration for sale of foreign property taken by or sold to foreign issuer.
85.1(3)	Disposition of shares of foreign affiliate.
87(8)	Merger of foreign affiliate.
88(3)	Dissolution of foreign affiliate.
90-95	Shareholders of corporations not resident in Canada.
112(2)	Dividends received from non-resident corporation.
113	Deduction in respect of dividend received from foreign affiliate.
126	Foreign tax credit.

TABLE 2. EXPORTS TO PRINCIPAL TRADING AREAS, SEASONALLY ADJUSTED*

TABLEAU 2. EXPORTATIONS VERS LES MARCHES PRINCIPAUX, CORRIGES DES VARIATIONS SAISONNIERES*

millions of dollars — millions de dollars

		United States / Etats-Unis	United Kingdom / Royaume-Uni	Other E.E.C. / Autres C.E.E.	Japan / Japon	Other O.E.C.D. / Autres O.C.D.E.	Other America / Autres Amérique	Other Countries / Autres Pays	Total		
1979	III Quarter	11,443.6	784.0	1,247.0	1,067.3	457.8	771.5	1,226 8	16,998 0	1979	III Trimestre
	IV Quarter	11,772.1	749 9	1,303.5	1,151.1	535.7	816.3	1,423.0	17,751.6		IV Trimestre
1980	I Quarter	12,304.2	846.4	1,560.3	1,001.5	653.0	850.1	1,405 9	18,621.4	1980	I Trimestre
	II Quarter	11,209.4	776 8	1,623.5	1,119.7	637.5	944.5	1,987.9	18,299.3		II Trimestre
	III Quarter	11,687.5	752.8	1,587.9	1,180.3	654.2	1,034.7	2,179 9	19,077 3		III Trimestre
	IV Quarter	12,861.2	857.6	1,556.8	1,080.0	583.1	1,143.0	1,884.2	19,965.9		IV Trimestre
1981	I Quarter	13,226.7	849.1	1,434.5	1,235.7	659.6	1,089.6	1,766 3	20,261 5	1981	I Trimestre
	II Quarter	14,368.4	835.2	1,421.3	995.1	534.0	1,032 4	1,903 2	21,069.7		II Trimestre
1980	July	3,746.5	265.1	645.0	425.7	242.2	330.5	636 1	6,291.1	1980	Juillet
	August	3,965.4	237.5	502.0	395.8	215.3	344.9	841.0	6,501 9		Août
	September	3,975.6	250.2	441.1	358.8	196.7	359.4	702.5	6,284.3		Septembre
	October	4,159 1	266 3	565 7	388.2	208.8	373.8	683 4	6,645.3		Octobre
	November	4,449.0	300.3	487.9	359.3	183.0	378.6	632 8	6,790.9		Novembre
	December	4,253.1	291.0	503 2	332.5	191.3	390.6	568 0	6,529.7		Décembre
1981	January	4,518 6	252.6	570.7	371.7	269.8	402.0	688.0	7,073.5	1981	Janvier
	February	4,471.7	287.0	424 8	450.6	174.4	339.1	523.4	6,671 1		Février
	March	4,236.3	309.5	439.1	413.4	215.3	348.5	554.9	6,516.9		Mars
	April	4,742.1	341 7	587 7	258 0	170.1	330.3	439.8	6,869.6		Avril
	May	4,515.5	242.1	423.7	363 8	167.2	368.0	711.5	6,791.7		Mai
	June	5,110 8	251.4	410.0	373.3	196.8	334.2	752.0	7,428.5		Juin
	July	4,871 9	223 8	454.7	324.4	146.5	386.6	576.9	6,984 8		Juillet

* Principal Trading Areas, see note 9, page 45 — Marches Principaux voir note 9, page 45

*Source: Summary of External Trade, July 1981 (Statistics Canada)

From the above, it is quite obvious that Canada's three most important countries for exportation are first the United States, second is Japan and third is the United Kingdom.

TABLE X-1. EXPORTS TO PRINCIPAL TRADING AREAS

TABLEAU X-1. EXPORTATIONS VERS LES MARCHES PRINCIPAUX

thousands of dollars - milliers de dollars

TRADING AREA / ZONE DE COMMERCE	YEAR / ANNEE	Live Animals / Animaux vivants	Food, Feed, Beverages And Tobacco / Aliments, provendes, boissons et tabacs	Crude Materials, Inedible / Matieres brutes, non comestibles	Fabricated Materials, Inedible / Matières travaillées, non comestibles	End Products, Inedible / Produits finis, non comestibles	Special Transactions, Trade / Transactions spéciales commerciales	Total Domestic Exports / Total exportations nationales	Total Re-Exports / Total reexportations
JANUARY TO JULY - JANVIER A JUILLET									
United States / Etats-Unis	1979	113,995	878,559	4,079,012	9,486,494	10,004,633	80,592	24,643,285	568,687
	1980	131,163	950,837	5,549,684	10,861,925	9,343,337	90,707	26 9[illegible]7,653	683,710
	1981	85,190	1,153,499	5,381,890	12,979,453	11,447,720	781,764	31,829,515	905,854
United Kingdom / Royaume-Uni	1979	57	297,624	244,531	619,689	163,798	194	1,325,892	16,458
	1980	663	304,729	405,202	931,344	222,460	1,651	1,866,049	28,499
	1981	1,065	356,296	388,436	895,227	221,627	18,199	1,880,851	29,818
Other E.E.C. / Autres C.E.E.	1979	5,144	288,718	648,195	1,172,088	307,559	219	2,421,924	45,810
	1980	5,357	384,677	811,744	1,943,450	638,467	583	3,784,279	62,036
	1981	4,399	352,877	698,327	1,652,906	463,918	9,520	3,181,948	72,675
Japan / Japon	1979	3,567	527,385	1,066,624	651,161	49,552	6	2,298,295	10,455
	1980	3,490	434,540	1,197,469	952,183	57,750	8	2,645,439	10,696
	1981	1,830	666,732	1,093,878	805,097	55,425	23	2,622,985	16,499
Other O.E.C.D. / Autres O.C.D.E.	1979	1,798	72,995	247,158	309,365	341,427	4,058	976,800	33,838
	1980	820	82,584	411,477	549,889	476,562	883	1,522,214	45,960
	1981	3,427	103,059	424,484	404,616	408,732	1,225	1,345,543	52,942
Other America / Autres Amérique	1979	7,230	253,970	83,098	488,724	686,276	4,832	1,524,130	24,901
	1980	7,319	543,943	122,952	668,132	676,427	4,428	2,023,200	70,847
	1981	8,649	520,707	203,292	701,371	786,341	8,347	2,228,707	246,987
Other Countries / Autres pays	1979	2,814	626,828	337,519	807,546	620,317	7,274	2,402,297	42,916
	1980	2,674	1,412,927	413,352	1,228,722	892,148	2,667	3,952,489	47,305
	1981	3,505	1,617,032	584,327	1,126,428	895,712	19,105	4,246,111	49,517
All Countries / Ensemble des pays	1979	134,603	2,946,078	6,706,138	13,535,067	12,173,562	97,174	35,592,623	743,065
	1980	151,486	4,114,236	8,911,880	17,135,645	12,307,150	100,926	42,721,324	949,054
	1981	108,065	4,770,202	8,774,634	18,565,099	14,279,476	838,184	47,335,659	1,374,292
JULY - JUILLET									
United States / Etats-Unis	1979	14,256	136,201	573,715	1,355,560	1,170,097	13,157	3,262,985	88,626
	1980	20,320	153,971	669,510	1,384,315	1,097,984	11,754	3,337,854	94,092
	1981	11,210	164,591	694,571	1,768,986	1,539,978	151,364	4,330,700	135,071
United Kingdom / Royaume-Uni	1979		37,326	85,726	98,856	25,358	19	247,284	2,168
	1980	3	30,236	60,844	137,107	33,315	21	261,525	3,953
	1981	2	35,831	27,043	121,839	33,143	77	217,935	6,193
Other E.E.C. / Autres C.E.E.	1979	794	32,268	97,242	145,557	43,150	9	319,021	4,208
	1980	718	62,580	112,991	321,133	86,475	97	583,994	6,836
	1981	1,232	30,022	90,446	204,258	72,475	3,875	402,307	8,890
Japan / Japon	1979	584	67,524	167,872	110,054	7,767	1	353,802	1,156
	1980	429	65,915	220,428	162,642	8,102	1	457,518	1,389
	1981	373	83,949	172,020	106,047	9,995	2	372,386	2,440
Other O.E.C.D. / Autres O.C.D.E.	1979	33	16,725	42,573	38,435	52,939	17	150,722	2,639
	1980	113	8,794	74,824	90,998	108,258	117	283,103	10,297
	1981	43	20,602	36,106	46,755	52,769	68	156,343	10,752
Other America / Autres Amérique	1979	1,482	34,888	13,861	106,311	99,486	55	256,083	3,664
	1980	1,248	96,952	25,868	98,154	95,092	2,593	319,908	12,749
	1981	1,521	86,219	29,619	104,545	128,337	896	351,136	54,531
Other Countries / Autres pays	1979	115	159,992	42,046	124,393	81,626	2,588	410,760	7,508
	1980	520	301,788	49,694	227,183	78,974	582	658,741	3,900
	1981	1,317	242,095	96,594	146,553	150,300	2,585	639,445	8,998
All Countries / Ensemble des pays	1979	17,265	484,923	1,023,035	1,979,164	1,480,424	15,846	5,000,656	109,970
	1980	23,352	720,237	1,214,159	2,421,532	1,508,199	15,164	5,902,643	133,216
	1981	15,698	663,309	1,146,399	2,498,983	1,986,996	158,867	6,470,252	226,875

* Principal trading areas; see note 9 page 45.
Marchés principaux; voir note 9 page 45.

*Source: Summary of External Trade, July 1981 (Statistics Canada)

Based on the above 1980 figures, fabricated materials and end products make up for 69% of the category of goods exported by Canada. And obviously almost 75% of the above 69% is exported to the United States.

TABLE X-2. DOMESTIC EXPORTS BY COUNTRY

TABLEAU X-2. EXPORTATIONS NATIONALES PAR PAYS

COUNTRY	PAYS	May / Mai 1979	1980	1981	June / Juin 1979	1980	1981	January to June / Janvier à Juin 1979	1980	1981	Percentage variation / Pourcentage Jan. to June / Jan. à Juin 80/79	81/80
		thousands of dollars - milliers de dollars										
Western Europe	**Europe occidentale**											
United Kingdom	Royaume-Uni	216.161	253.419	261.265	191.020	315.391	264.009	1.078.608	1.604.523	1.644.815	48 7	2.5
Gibraltar	Gibraltar	11	1	2	10	14	15	22	40	66	-83 8	66 1
Ireland	Irlande	3,929	12,727	13.314	4.168	11.148	19.553	22.226	53 047	80.671	138.6	52.0
Malta	Malte	98	69	141	33	90	180	843	1.069	2.548	26 7	138.4
Austria	Autriche	3.863	5.723	9,174	2,721	4.883	4.233	13.680	33.366	29.272	143.9	-12.2
Belgium-Luxemb.	Belgique-Lux.	58.954	86.569	59.654	48.444	97.730	39.091	287.356	534.824	346.535	86.1	-35 2
Denmark	Danemark	8.687	6.232	12,085	4.040	7.249	10.784	45.853	42.563	42,349	-7.1	-0.5
Finland	Finlande	2,875	16,605	8,562	12,183	22,767	5.330	27,458	93.795	47.082	241.5	-49.8
France	France	53,032	123,157	72,841	55,568	78.898	61.680	281.252	500.793	478,688	78 0	-4.4
Germany West	Allemagne ouest	91.386	128.678	105,410	118.904	148.683	121.318	545.517	814.724	658.062	49 3	-19.2
Greece	Grèce	10.911	16.134	11.183	5.267	13.934	5.108	40.257	71.419	39.758	77 4	-44.3
Iceland	Islande	632	978	986	345	425	674	1.926	3.059	5.321	58.8	73.9
Italy	Italie	60.224	116.649	70.187	47.838	64.862	85,522	315.631	520.769	522.035	64.9	0.2
Netherlands	Pays-Bas	165.429	137,201	101.103	98.492	111.760	79.980	578.860	676.403	588.327	16 8	-13.0
Norway	Norvège	42.577	10,083	8.780	5.949	50.457	81.259	129.850	213.503	256.544	64 4	20.1
Portugal	Portugal	17,638	3,759	5.704	5,404	10,978	3.291	35.229	48.442	36.581	37.5	-24.4
Spain	Espagne	17,980	16,008	20,964	12,334	24,445	20.322	107,077	113.770	101,491	6.2	-10.8
Sweden	Suède	13.878	38.623	15,956	20.376	24,786	17.418	76.898	130.877	106.593	70.1	-18.5
Switzerland	Suisse	12,758	15.647	14,672	10,595	35,219	15.805	75,075	192.601	108.475	156.5	-43.6
Total		**781,024**	**988,261**	**791,982**	**643,692**	**1,023,719**	**835,571**	**3,663,617**	**5,649,590**	**5,095,213**	**54.2**	**-9.8**
Eastern Europe	**Europe orientale**											
Albania	Albanie	59						59			-100.0	
Bulgaria	Bulgarie	740	88	221	29	74	2.037	5.161	2.509	8.343	-51.4	232.5
Czechoslovakia	Tchécoslovaqui	2.234	12.866	1.025	1,338	12.793	1,116	7.775	86.741	11,223	..	-87.0
Germany East	Allemagne est	362		168	4,615		2,242	10.937	1.566	3.978	-85.6	154.1
Hungary	Hongrie	927	1.396	603	1,597	888	657	5.342	5.666	6.973	6.0	23.0
Poland	Pologne	7.133	37.068	47.688	25.162	82.260	54.932	57.274	183.235	173,594	219 9	-5.2
Romania	Roumanie	6,775	493	150	7.306	9,083	5.053	21.502	16.393	6.909	-23 7	-57.8
USSR	URSS	42,420	109.550	164.449	30.845	205.667	272.958	179.548	444.918	661.376	147.7	48.6
Yugoslavia	Yougoslavie	6,760	8,234	8,113	3,720	5.058	4,666	22.871	42,203	37,105	84.5	-12.0
Total		**67,410**	**169,694**	**222,416**	**74,611**	**315,823**	**343,661**	**310,469**	**783,232**	**909,501**	**152.2**	**16.1**
Middle East	**Moyen-Orient**											
Bahrain	Bahrein	218	178	201	89	135	226	2,504	1,909	1,992	-23.7	4.3
Cyprus	Chypre	132	838	634	368	550	103	729	2,459	2,067	237.3	-15.9
Qatar	Qatar	412	644	1,020	374	80	312	2,614	2,779	3,686	6.3	32.6
Emirates, U.A.	Emirats A.U.	961	1,802	1,271	707	1,032	2,678	10,282	12,948	21,577	25.9	66 6
Ethiopia	Ethiopie	88	46	13,569	30	3,103	5,920	489	7,103	28,742	...	304 6
Iran	Iran	331	741	2	1,019	7,162	1,251	6,445	10,995	11,890	70.6	-8.1
Iraq	Irak	1,631	413	9,259	3,918	10,113	31,903	12,946	52,614	93,070	306.4	76.8
Israel	Israël	6,614	12,523	6,298	5,245	5,349	4,416	40,653	55,874	40,918	37.4	-26.7
Jordan	Jordanie	1,624	297	653	472	957	1,005	6,830	7,043	7,776	3.1	10 4
Kuwait	Koweït	3,409	2,637	2,535	7,060	3,988	7,390	31,101	34,879	23,765	12.1	-31.8
Lebanon	Liban	412	6,300	1,411	5,684	1,118	414	11,142	12,086	10,839	8 4	-10.3
Libya	Libye	3,303	6,516	3,593	447	2,383	10,601	11,869	36,566	29,550	208.0	-19.1
Oman (Muscat)	Oman (Mascate)		337	991		419	617	1,035	1,044	3,149	0.8	201.6
Saudi Arabia	Arabie Saoudite	13,916	35,791	22,093	14,483	14,201	34,382	125,013	141,338	172,242	13.0	21.8
Somalia	Somalie	683	666	18	5	6		1,073	685	56	-36.2	-91.8
Yemen, South	Yemen du sud	305	6,098	20	588	25	15	1,380	9,347	211	577.2	-97.7
Sudan	Soudan	85	66	2,290	19	52	285	5,637	1,799	3,740	-68.1	107.9
Syria	Syrie	377	49	411	83	1,761	182	4,107	12,645	3,514	207.8	-72.2
Turkey	Turquie	6,299	5,033	2,348	5,609	4,104	2,157	29,260	16,983	50,611	-41.9	198.0
Egyptian A.R.	Egypte, R.A.	741	23,445	2,295	6,270	5,674	8,920	10,431	90,729	45,817	769.7	-49.5
Yemen, North	Yemen du nord		2	1	1,933	33		2,009	52	91	-97.4	75.1
Total		**41,541**	**104,423**	**70,913**	**54,404**	**62,246**	**112,778**	**317,549**	**511,877**	**555,301**	**61.1**	**8.4**

... Percentage change exceeds 999 percent.
La variation en pourcentage est en excès de 999 pourcent.

*Source: Summary of External Trade, June 1981 (Statistics Canada)

TABLE X-2. DOMESTIC EXPORTS BY COUNTRY

TABLEAU X-2. EXPORTATIONS NATIONALES PAR PAYS

COUNTRY	PAYS	May / Mai 1979	May / Mai 1980	May / Mai 1981	June / Juin 1979	June / Juin 1980	June / Juin 1981	January to June / Janvier à Juin 1979	January to June / Janvier à Juin 1980	January to June / Janvier à Juin 1981	Percentage variation / Pourcentage Jan to June / Jan à Juin 80/79	Percentage variation / Pourcentage Jan to June / Jan à Juin 81/80
		thousands of dollars - milliers de dollars										
Other Africa	**Autres pays d'Afrique**											
The Gambia	La Gambie		3			3		16	60	8	283 5	- 87 0
Ghana	Ghana	3.974	757	122	117	6 726	652	6.948	18 606	11.357	167 7	- 38 9
Kenya	Kenya	541	380	453	274	682	702	9.891	7 910	7.620	- 20 0	- 3 6
Malawi	Malawi	135	3.039	38	5	8.672	100	716	11 825	563		95 2
Mauritius-Dep.	Maurice et dép	57	35	210	39	78	59	300	330	359	9 9	8 9
Nigeria	Nigéria	5.763	7.419	11.372	151	5.726	12.326	18 724	51.089	53.393	172 8	4 5
South Africa	Afrique du sud	10,014	18,292	20.522	5.902	13.498	36.290	45.475	79.858	130.207	75 6	63 0
Zimbabwe	Zimbabwe		78	30		4	132	2	164	3.192		
Sierra Leone	Sierra Leone		112	66	4		786	117	771	968	560 8	25 6
Tanzania	Tanzanie	6.944	6.128	107	499	134	1.446	22.131	16 069	5.995	- 27 4	- 62 7
Uganda	Ouganda	16	2	30				31	50	40	60 8	19 3
Zambia	Zambie	188	2.309	19	45	182	736	1.408	5.192	2.148	268 6	58 6
Cwealth Af. nes	Af. Cwealth nda	110	16	10	1.200	8	122	1.465	608	2.191	- 58 4	260 2
Algeria	Algérie	8.659	18.125	43.185	32.076	24.150	42.391	102.848	171 890	211.696	67 1	23 1
Angola	Angola	299	46		1	410		749	666	1.548	11 0	132 4
Cameroon	Cameroun	152	11.053	2.772	717	49	808	4.740	11.601	24.376	144.7	110 1
Zaire	Zaïre	477	287	832	99	1.011	8.162	2.027	2.682	40,217	32 3	
Benin	Benin	52	1.682	41	739	550	21	19.566	2.513	468	- 87.1	- 81 3
Fr. Africa nes	Afrique fr.nda	160	581	2.783	333	257	656	2.847	1.666	9.334	- 41.4	460 2
Gabon	Gabon	195	232	1.665	63	707	20	927	1.866	3.190	101.3	70 9
Guinea	Guinée	3	7	4	33	6	3	121	244	78	101 4	- 68 0
Ivory Coast	Côte-d'Ivoire	124	260	3.883	6.437	1.961	1.288	13.780	3.454	7.537	- 74 9	118 2
Liberia	Libéria	23.001	1.449	610	58	32	229	32.798	3.761	10.799	- 88 5	187 1
Madagascar	Madagascar	131	92	4	264	10	230	565	18.869	9.737	...	- 48 4
Mauritania	Mauritanie	5.582	16	43	82	4		7.888	81	95	- 98 9	16 9
Morocco	Maroc	1.017	12.669	6.695	6.352	1.643	6.385	19.134	25.406	42.830	32.7	68 5
Mozambique	Mozambique	597	884	4.447	14.155	1.728	1.378	15.412	6.543	17.664	- 57.5	169 9
Port. Af. nes	Af. port. nda	5	28	8	91	13	54	107	2.276	99	..	- 95 6
Senegal	Sénégal	31	1.154	616	1.388	630	157	7.986	5.831	4.932	- 26 9	- 15 4
Spanish Africa	Afrique espag.	111	714	13	11	111	22	831	1.313	11.737	58 0	793 6
Togo	Togo	625	406	50	31	69	73	789	649	439	- 17 7	- 32 3
Tunisia	Tunisie	394	4.139	8.258	1.693	8.793	7.185	21 215	22.072	44.033	4 0	99 4
Total		**-69,357**	**92,396**	**108,887**	**72,860**	**77,848**	**122,413**	**361,553**	**475,915**	**658,854**	**31.6**	**38.4**
Other Asia	**Autres pays d'Asie**											
Bangladesh	Bangladesh	2.805	8.349	4.867	35	13.537	11.262	6.180	34 315	23.300	455 2	- 32 1
Sri Lanka	Sri Lanka	1.175	1.468	4.595	750	128	1.190	7.410	8.785	14.453	18 5	64.5
Hong Kong	Hong Kong	10.822	14.037	16.521	14.740	13.394	14.553	69.040	88.621	97 478	28 3	9 9
India	Inde	10.822	18.418	43.242	24.611	47.128	18.516	127.429	168.034	172 019	31 8	2.3
Malaysia	Malaisie	2.462	4.627	18.134	7.154	9.390	8.677	28.174	40.580	63.116	44 0	55 5
Pakistan	Pakistan	5,608	4.392	3.328	811	7.315	6.164	29.073	29.944	41.666	2 9	39.1
Singapore	Singapour	5.105	17.942	19.301	9.082	12.110	13.620	44.999	130.115	84.784	189 1	- 34.8
Afghanistan	Afghanistan	59	90	2	64	4	63	371	212	84	- 42 6	- 60 2
Burma	Birmanie	198	746	34	7	181	795	718	1.366	1,737	90 2	27 1
Khmer Rep.-Laos	Khmer Rép.-Lao		2		547			547	15	2	- 97 3	- 85 5
People R China	Rép. pop. Chin	55.873	61.169	132.680	60.621	120.264	63.840	313.711	437.048	489.445	39.3	11.9
Indonesia	Indonésie	2.230	7.588	7.982	4.839	11.442	7.486	31.002	124.134	50.991	300 4	- 58.9
Japan	Japon	352.728	357.496	326.071	303.348	438.497	389.377	1.944.493	2.187.921	2.209.547	12 5	0 9
Korea, North	Corée du nord		15		175	1		1.768	16		- 99.1	-100 0
Korea, South	Corée du sud	37.255	39.295	32.528	40.272	71.438	29.183	207.831	255.755	218.747	23 0	- 14 4
Philippines	Philippines	5.735	6.112	8.157	9.308	14.982	7.356	50.682	47.469	43.974	- 6 3	- 7 3
Port. Asia	Asie port.			54						54		
Taiwan	Taïwan	11.363	20.918	30.247	10.653	30.931	19.718	53.599	107.965	129.085	101 4	19 5
Thailand	Thaïlande	4.204	6.205	12.598	10.633	11.444	9.663	40.358	58 548	55.372	45 0	5 4
Viet-Nam	Viêt-Nam	251		87	4.098		100	12.871	122	279	- 99 0	129.4
Total		**508,694**	**568,869**	**660,431**	**501,750**	**802,187**	**601,563**	**2,970,255**	**3,720,964**	**3,696,134**	**25.2**	**- 0.6**

... Percentage change exceeds 999 percent.
La variation en pourcentage est en excès de 999 pourcent.

TABLE X-2. DOMESTIC EXPORTS BY COUNTRY

TABLEAU X-2. EXPORTATIONS NATIONALES PAR PAYS

thousands of dollars - milliers de dollars

COUNTRY	PAYS	May / Mai 1979	May / Mai 1980	May / Mai 1981	June / Juin 1979	June / Juin 1980	June / Juin 1981	January to June / Janvier à Juin 1979	January to June / Janvier à Juin 1980	January to June / Janvier à Juin 1981	Percentage variation / Pourcentage, Jan. to June / Jan. à Juin 80/79	81/80
Oceania	**Océanie**											
Papua, N G.	Papouasie, N G	60	30	114	31	41	217	2.073	1.345	798	-35.1	-40.7
Australia	Australie	43 244	64.872	69.929	53.870	61.046	60.805	273.777	327.006	370.776	19 4	13.3
Fiji	Fidji	197	301.	168	111	336	95	976	1.524	773	56.1	-49.2
New Zealand	Nouv.-Zélande	7.600	12.153	10,571	8.223	6,754	9.757	41.800	51 449	64.991	23.0	26 3
Br Oceania nes	Océanie br nd		7	28	32	95	6	79	274	345	247.1	25 7
French Oceania	Océanie fr.	57	32	248	93	14	343	522	346	4.634	-33 7	
U.S. Oceania	Océanie, E-U.	149	341	177	125	198	96	950	2.068	1.006	117 6	-51 3
Total		**51.308**	**77,736**	**81,235**	**62,485**	**68,485**	**71,319**	**320,177**	**384,012**	**443,323**	**19.9**	**15.4**
South America	**Amérique du sud**											
Guyana	Guyane	580	741	1,641	1,982	628	3,724	4,652	5.703	9,217	22.5	61 6
Falkland Is.	Iles Falkland					2		1	8		516 4	-100.0
Argentina	Argentine	12.114	14,238	14,576	10,414	11.228	17.767	66.636	120.204	94,902	80.3	-21 0
Bolivia	Bolivie	538	605	481	546	294	463	3.235	2,076	4,083	-35 8	96 6
Brazil	Brésil	19.867	42,366	67,816	26,114	146,500	50,080	136,779	346,079	333.813	153.0	-3 5
Chile	Chili	6,010	7,738	9,234	7,341	6,290	10,585	48,707	35.948	57.962	-26.2	61.2
Colombia	Colombie	6,750	14.574	17.914	9,176	16,078	19,416	47.571	79,153	83,436	66.3	5.4
Ecuador	Equateur	1.676	4,595	8.746	5,815	13,019	7,726	22.346	33,979	43,856	52.0	29.0
French Guiana	Guyane fr.							132	198	48	49.2	-75.9
Paraguay	Paraguay	21	93	71	49	117	165	326	788	881	141.5	11.8
Peru	Pérou	6.190	2,571	7,740	5,752	4,884	6,920	18.039	21.321	38.571	18.1	80.9
Surinam	Surinam	221	282	267	345	170	506	1,919	3.148	2,669	64.0	-15.2
Uruguay	Uruguay	1,684	611	1.826	652	1.423	2,014	5.492	8,783	10,740	59.9	22.2
Venezuela	Venezuela	52,939	50.223	61,992	58,861	62,511	47.558	341,857	316.053	393.834	-7.5	24 6
Total		**108,591**	**138,637**	**192,305**	**127,047**	**263,144**	**166,922**	**697,693**	**973,439**	**1,074,013**	**39.5**	**10.3**
Central America and Antilles	**Amérique centrale et Antilles**											
Bahamas	Iles Bahamas	1.594	1,584	2,093	1,726	1,914	3,215	21,373	11,086	13.890	-48.1	25.2
Bermuda	Bermudes	29,401	2.312	1,856	2,231	2,038	2,440	63,568	11,596	22,675	-81.7	95 5
Belize	Belize	323	713	155	297	453	179	3,115	2,190	1,774	-29 6	-19 0
Barbados	Barbade	1.821	2,088	2,878	3,058	1,639	2,349	11.828	17,266	16,532	45 9	-4.2
Jamaica	Jamaique	4.798	6.886	4,453	4,051	5,125	7,690	28.564	29,672	35,018	3 8	18 0
Leew.-Wind. Is.	I. Leew.-Wind.	2,694	2,407	2,042	1,318	890	1,478	10,489	13,412	11,951	27,8	-10 9
Trinidad-Tobago	Trinidad-Tobago	10,851	7.915	8,427	14,667	10,039	8.378	57.101	70,079	46,985	22.7	-32.9
Costa Rica	Costa Rica	4,644	2.834	3.989	1,752	2,116	2.555	18.835	15,734	13.809	-16 4	-12.2
Cuba	Cuba	20.300	36.714	44.993	24.653	35,904	44,975	118.321	192,589	221.581	62 7	15 0
Dominican Rep.	R. Dominicaine	2.325	3.542	2.369	1,673	2,898	5.042	10,965	25,890	24,510	136 1	-5 3
El Salvador	El Salvador	2,164	1,041	2,979	1,008	1,926	777	7,909	7,703	8,215	-2.6	6.6
Fr. West Indies	Antilles fr.	190	287	169	105	240	355	839	3.073	1.553	266.2	-49.4
Guatemala	Guatemala	1.764	958	1.952	1,927	3,766	1,057	9.980	11.250	9.053	12.7	-19 5
Haiti	Haiti	1.730	724	839	1,638	663	920	15.875	13.414	15.360	-15 5	14.5
Honduras	Honduras	1.367	1.184	1.286	1,756	8.628	1.640	9.420	15.876	12.839	68 5	-19 1
Mexico	Mexique	17,895	38.928	51,247	23.374	39.587	66.597	88.119	192.739	329.321	118 7	70 8
Neth. Antilles	Antilles néerl	1,002	1.121	2.562	1.819	393	1.243	7.947	4.743	8.260	-40 3	74 1
Nicaragua	Nicaragua	629	627	430	114	778	663	2.131	5.143	6.021	141.3	17.0
Panama	Panama	1.353	3,656	2.339	1.781	4.177	2.846	11,127	21.076	17.732	89 4	-15.8
Puerto Rico	Porto Rico	13.424	7.329	5,925	11.647	9,951	5.939	58.647	46.912	53,195	-20.0	13.3
U.S. Virgin Is	I. Vierges E-U	382	117	8,576	105	115	96	1,274	1.612	14.509	26 4	800 3
Total		**120.652**	**122,967**	**151,559**	**100,702**	**133,238**	**160,434**	**557,427**	**713,055**	**884,783**	**27.9**	**24.0**
North America	**Amérique du nord**											
Greenland	Groënland	105	219	155	876	503	813	5 735	7 346	1.684	28 0	-77 0
St Pierre-Miq.	St-Pierre-Miq	1.291	3 630	1.591	1.711	1.259	929	7.191	9 453	8 521	31 4	-9 8
United States	Etats-Unis	3.982.632	3 675.299	4.719.069	3.584.735	3.710.681	5.194.050	21.380.300	23.589.799	27.626.889	10.3	17 1
Total		**3,984,029**	**3,679,148**	**4,720,814**	**3,587,323**	**3,712,443**	**5,195,795**	**21,393,227**	**23,606,598**	**27,637,097**	**10.3**	**17.0**
All Countries Ensemble des pays		**5,732,605**	**5,942,130**	**7,000,541**	**5,224,872**	**6,459,133**	**7,610,457**	**30,591,967**	**36,818,681**	**40,954,221**	**20.3**	**11.2**

... Percentage change exceeds 999 percent.
La variation en pourcentage est en excès de 999 pourcent

TABLE X-4. EXPORTS BY PROVINCE OF LADING

TABLEAU X-4. EXPORTATIONS PAR PROVINCE DE CHARGEMENT

APPENDIX 7

thousands of dollars - milliers de dollars

PROVINCE OF LADING / PROVINCE DE CHARGEMENT	YEAR / ANNEE	Live Animals / Animaux vivants	Food, Feed, Beverages And Tobacco / Aliments, provendes, boissons et tabacs	Crude Materials, Inedible / Matières brutes, non comestibles	Fabricated Materials, Inedible / Matières travaillées, non comestibles	End Products, Inedible / Produits finis, non comestibles	Special Transactions Trade / Transactions spéciales commerciales	Total Domestic Exports / Total exportation nationales	Total Re-Exports / Total réexportations
JANUARY TO JUNE - JANVIER A JUIN									
Newfoundland / Terre-Neuve	1979	3	103.600	40.434	142.616	1.684	388	288.725	630
	1980		141.425	32.969	153.268	1.790	585	330.037	1.319
	1981	31	153.155	36.725	178.021	13.176	405	381.513	5.694
Nova Scotia / Nouvelle-Ecosse	1979	371	221.089	39.035	185.973	94.651	1 434	542.553	3.876
	1980	457	271.410	48.229	228.003	111.680	1.069	660.848	5.776
	1981	426	316.468	85.868	221.284	137.351	1.053	762.450	5.774
Prince Edward Island / Ile-du-Prince-Edouard	1979	109	20.555	1.626	825	1.332	50	24.497	203
	1980	76	27.765	8.354	302	697	22	37.215	153
	1981	8	32.357	1.198	310	868	12	34.754	21
New Brunswick / Nouveau-Brunswick	1979	454	126.842	91.808	849.047	89.025	2.075	1.159.251	3.583
	1980	445	192.414	79.730	1.058.843	33.090	1.694	1.366.215	4.493
	1981	351	242.961	74.596	1.053.170	50.403	2.365	1.423.846	4.216
Quebec / Québec	1979	23.834	585.582	1.097.051	2.630.238	1.591.376	16.532	5.944.614	152.068
	1980	20.069	1.158.892	1.176.971	3.594.017	2.182.996	18.677	8.151.623	204.399
	1981	11.516	1.295.066	1.305.367	3.757.476	2.213.499	30.313	8.613.236	234.741
Ontario / Ontario	1979	47.503	476.416	505.787	3.356.909	8.447.168	38.388	12.872.171	362.639
	1980	45.702	534.731	808.823	4.752.174	7.914.541	38.369	14.094.339	481.530
	1981	39.622	643.967	601.308	5.730.089	9.148.514	360.973	16.524.473	590.343
Manitoba / Manitoba	1979	15.666	45.913	40.017	181.398	164.195	2.057	449.247	18.478
	1980	23.009	52.632	51.407	200.825	220.257	1.768	549.898	21.906
	1981	13.714	53.365	76.015	220.768	269.827	2.063	635.751	21.295
Saskatchewan / Saskatchewan	1979	4.706	19.977	253.162	339.578	25.812	963	644.197	4.253
	1980	9.712	17.415	585.018	417.356	27.244	1.533	1.058.279	5.442
	1981	4.922	18.227	494.211	448.974	35.367	4.860	1.006.561	7.633
Alberta / Alberta	1979	18.368	54.876	2.168.258	554.905	70.303	9 149	2.875.859	41.188
	1980	21.365	62.688	3.227.473	655.406	85.581	16 478	4.068.991	47 453
	1981	16.356	68.313	3.402.096	852.301	273.764	280.320	4.893.150	99.262
British Columbia / Colombie Britannique	1979	6.302	806.194	1.352.621	3.314.373	207.071	10.188	5.696.750	46.062
	1980	7.298	934.557	1.608.805	3.653.885	220.986	5.540	6.431.072	43.354
	1981	5.421	1.279.308	1.519.207	3.583.108	251.501	11.425	6.649.969	64.472
All provinces * / Ensemble des provinces *	1979	117,339	2,461,156	5,683,103	11,555,903	10,693,138	81,328	30,591,967	633,094
	1980	128,134	3,394,000	7,697,722	14,714,113	10,798,951	85,762	36,818,681	815,837
	1981	92,367	4,103,186	7,624,787	16,045,743	12,394,335	693,803	40,954,221	1,033,476
JUNE - JUIN									
Newfoundland / Terre-Neuve	1979	1	23.797	8.382	22.862	189	35	55.266	66
	1980		28.350	4.611	33.055	209	53	66.278	538
	1981	5	28.268	10.390	33.406	238	115	72.422	13
Nova Scotia / Nouvelle-Ecosse	1979	41	35.790	4.729	38.836	23.479	214	103.089	457
	1980	113	37.887	12.263	36.765	15.438	117	102.583	664
	1981	82	59.453	18.041	27.718	14.912	117	120.322	685
Prince Edward Island / Ile-du-Prince-Edouard	1979	23	2.803	365	94	510	1	3.797	1
	1980	1	4.708	2.855	50	49	3	7.667	25
	1981		7.002	69	34	200	2	7.306	10
New Brunswick / Nouveau-Brunswick	1979	13	25.007	19.967	114.051	3.073	293	162.403	537
	1980	62	23.610	12.597	245.174	5.209	208	286.860	426
	1981	31	29.980	3.108	165.857	4.757	249	203.983	345
Quebec / Québec	1979	3.952	159.677	245.728	396.736	293.819	2.116	1.102.028	29.779
	1980	3.651	426.126	253.212	552.624	338.120	2.763	1.576 496	30.552
	1981	1.722	437.811	326.808	661.324	416.550	4.167	1.848.381	43.396
Ontario / Ontario	1979	11.483	81.440	114.124	632.912	1.325.405	6.695	2.172.060	66.911
	1980	8.602	108.892	136.979	731.421	1.308.400	6.144	2.300.439	78.456
	1981	6.424	104.782	90.494	1.048.991	1.745.558	322.850	3.319.099	120.096
Manitoba / Manitoba	1979	1.485	9.642	6.067	25.022	27.573	279	70.069	2.051
	1980	5.709	7.051	6.220	28.507	33.247	293	81.027	3.631
	1981	1.522	7.909	14.196	34.941	34.700	312	93.580	3.650
Saskatchewan / Saskatchewan	1979	192	3.125	48.346	85.699	4.144	84	141.589	1.630
	1980	2.763	2.509	92.293	51.731	4.625	196	154.117	656
	1981	372	3.774	72.756	45.428	5.379	462	128.171	1.608
Alberta / Alberta	1979	1.985	8.775	346.348	83.157	12.323	2.522	455.109	12.872
	1980	6.510	17.466	517.625	86.920	11.322	3.328	643.171	6.874
	1981	1.681	8.266	505.396	113.450	50.673	40.734	720.199	17.832
British Columbia / Colombie Britannique	1979	840	122.923	203.729	578.665	34.668	1.443	942.268	7.524
	1980	646	219.562	305.943	670.549	34.946	1.034	1.232.681	9.182
	1981	688	212.601	196.626	635.671	42.414	2.748	1.090.747	13.355
All provinces * / Ensemble des provinces *	1979	20,014	472,979	1,014,818	1,978,034	1,725,320	13,707	5,224,872	121,839
	1980	28,056	876,160	1,352,364	2,436,800	1,751,606	14,146	6,459,133	131,005
	1981	12,527	899,846	1,244,052	2,766,882	2,315,390	371,760	7,610,457	260,995

* Includes Yukon - Y compris le Yukon

*Source: Summary of External Trade, June 1981 (Statistics Canada)

TABLE X-3. DOMESTIC EXPORTS BY COMMODITY CATEGORY

TABLEAU X-3. EXPORTATIONS NATIONALES PAR CATEGORIE DE MARCHANDISES

COMMODITY CATEGORY	May / Mai			June / Juin			January to June / Janvier à Juin		
(version française à droite)	1979	1980	1981	1979	1980	1981	1979	1980	1981
	thousands of dollars - milliers de dollars								
Live Animals	26,859	20,005	17,956	20.014	28,056	12.527	117,339..	128.134	92,367
Food, Feed, Beverages and Tobacco									
Meat and fish									
Meat, fresh, chilled or frozen	41.393	37.787	46,321	29.111	35.686	57.256	205.467	236.065	301.242
Other meat and meat preparations	1,914	1,520	2.066	1.899	1.801	2.017	10.057	9.280	13.166
Fish, whole or dressed, fresh or frozen	12,753	9.875	14,582	11.849	15.120	14.560	86.795	87.332	100.899
Fish, fillets and blocks, fresh or frozen	28.360	36,791	32.146	31.589	45.025	41.406	155.847	183.033	211.798
Fish, preserved, except canned	8.470	8.284	10.959	6.706	9.621	9.662	51.842	56.737	80.678
Fish, canned	3.676	7.511	3.712	1.436	4.597	3.058	32.119	44.291	45.437
Other fishery foods and feeds	67,257	33.989	62.186	53,755	35.852	64.005	254.480	164.656	215.525
Sub-Total	163,822	135,755	171,972	136,346	147,702	191.965	796,607	781.393	968,746
Dairy produce, eggs and honey	7.298	13,087	18,534	8.619	13.585	27.671	61,116	81.934	100.474
Cereals and preparations									
Barley	20.849	27.802	46.126	34.168	31.141	83.627	125.500	205.352	316.598
Wheat	126.850	258.558	365.690	177.895	557.240	417.133	755.346	1.521.176	1.633.984
Other cereals, unmilled	3,521	30,398	45.947	2.801	7.021	33.557	31.392	75.198	155.979
Hard spring wheat flour	8,364	12.460	17.139	12.690	6.046	34.701	61.670	55.084	91.126
Other cereals, milled	9,754	13.090	16,031	8,389	17,599	5,640	44.097	65.566	71,222
Cereal preparations	4,946	6,418	6.805	5.426	6,366	6.927	30.842	39.897	41,954
Sub-Total	174,286	348,725	497,739	241,369	625,413	581,583	1,048,847	1,962.272	2,310,863
Fruits and fruit preparations	3,623	4,425	3.982	1,356	3.154	3.492	26.068	33.753	38.454
Vegetables, and vegetable preparations	11,929	15.937	19.409	8.623	12.179	12.798	70.140	100.085	150.115
Sugar and sugar preparations	12,149	5.574	14.850	9.344	6.116	4.556	53.291	33 245	48.390
Other foods and materials for food	6.910	8.473	11.070	6.800	6.687	11.035	34.733	45.902	63.851
Oil seed cake and meal	2.725	8.225	11.972	3 804	6 954	6.776	14.364	26 617	28.910
Other feeds of vegetable origin	5,549	9.088	9.183	7 497	9.450	6.159	47.395	55 946	53 401
Other fodder and feeds	7.566	7.996	8,711	9.359	7,117	6.496	34.628	39.295	47 832
Whisky	26.827	20.635	20.648	21.955	25.094	28.814	141.077	132.128	151.410
Other beverages	6.427	9.584	10,281	6,403	9.069	10.943	33.902	48.072	56.805
Tobacco	26,714	9.766	11.178	11.505	3.639	7,558	98.988	53.356	83.936
Total	455,824	597,271	809,530	472,979	876,160	899,846	2,461,156	3,394,000	4,103,186
Crude Materials, Inedible									
Raw hides and skins	17,885	11.034	7,894	15.384	8,405	8.481	82.123	67.705	52.130
Fur skins undressed	9.166	16,024	8,808	6.966	10.670	9.766	100.575	120.636	98.637
Other crude animal products	1,690	1,897	1.958	1,796	1.816	2.352	9.022	11.474	12,406
Seeds for sowing	2,007	1.656	809	1,284	872	748	19.083	22.468	15.953
Flaxseed	23,654	8.093	21,755	18.055	11.364	15.999	68 298	51.012	106.075
Rapeseed	55,519	36.792	39.255	50.337	41.025	40.672	284 400	223.830	226.707
Other oil seeds, oil nuts and oil kernels	5.290	7.567	15.198	5.842	10,067	6.778	29.791	39.477	58.848
Other crude vegetable products	8.304	9.292	7,816	4.928	5.812	6.967	43.657	49.551	48.782
Pulpwood	1.074	964	1,487	1.412	1.494	913	6.204	8.333	12.155
Pulpwood chips	2.914	12.217	11:218	4.293	8.385	5.596	24.775	44.168	48.614
Other crude wood products	3.532	3.083	1.653	6.430	7.344	2.951	30.539	35.122	32.855
Textile and related fibres	4.965	8.503	11,733	6.378	5.481	7.266	29.258	40.401	50.681
Metal ores, concentrates and scrap									
Iron ores and concentrates	172.657	160.384	190.229	167.746	135.322	180.855	545 357	547 081	635.415
Scrap iron and steel	11.269	11.267	5.184	7.683	8.069	7.097	50.733	51.314	41.875
Aluminum ores, concentrates and scrap	7.383	9.548	10.810	7.091	9.521	10.201	41.974	64.786	64.202
Copper in ores, concentrates and scrap	32.840	38.179	50.791	38.031	77.833	47.406	255.857	321.301	240.400
Lead in ores, concentrates and scrap	13.886	8.715	6.531	18.451	5.910	4.303	81.869	76.186	40.212
Nickel in ores, concentrates and scrap	14.368	24.151	29.262	19.008	46.782	73.350	87.456	205.924	288.936
Precious metals in ores, conc and scrap	16.137	49.946	36.951	16.267	64.173	27.182	93.985	374.007	232.015
Zinc in ores, concentrates and scrap	36.295	10.320	15.755	39.235	8.614	8.779	139.142	74.326	88.811
Radioactive ores and concentrates	41.400	22.658	4.323	30.930	21.775	3.151	198.533	115.455	32.433
Other metals in ores, concentrates and scrap	31.718	48.642	28.116	26.654	49.631	45.527	166.043	292.914	218 476
Sub-Total	377,953	383,810	377,950	371,097	427,631	407,851	1,660,948	2,153,294	1,882,775
Crude petroleum	222.857	261.717	185.441	178.864	251.094	170.819	1.119.477	1.621.707	1.364.943
Natural gas	212.869	297.465	306.757	210.323	315.344	310.510	1.323.886	2.159.968	2.257.311
Coal and other crude bitumin substances	80.845	73.252	70.913	49.222	92.247	119.838	400.260	439.886	562.164
Asbestos, unmanufactured	58.193	38.940	45.999	58.179	66.087	47.195	296.264	280.275	270.601
Sulphur	11.418	35.967	97.974	13.512	59.656	51.908	81.501	226.466	420.540
Other crude non-metallic minerals	14.958	11.090	9.091	6.696	23.579	22.463	54.208	77.095	78.322
Other waste and scrap materials	2.816	4.632	3.499	3.817	3.990	4.979	18.834	24.854	24.287
Total	1,117,910	1,223,994	1,227,208	1,014,818	1,352,364	1.244.052	5,683,103	7,697,722	7,624,787

* Principal trading areas; see note 9 page 45.
... Percentage change exceeds 999 percent.

TABLE X-3. DOMESTIC EXPORTS BY COMMODITY CATEGORY

TABLEAU X-3. EXPORTATIONS NATIONALES PAR CATEGORIE DE MARCHANDISES

COMMODITY CATEGORY (version française à droite)	May / Mai 1979	May / Mai 1980	May / Mai 1981	June / Juin 1979	June / Juin 1980	June / Juin 1981	January to June / Janvier à Juin 1979	January to June / Janvier à Juin 1980	January to June / Janvier à Juin 1981
	thousands of dollars - milliers de dollars								
Fabricated Materials, Inedible									
Leather and leather fabricated materials	3.471	3,110	3,645	2.689	3.345	3.199	15,124	18,271	20,098
Wood and paper									
Lumber, softwood	327,044	245,268	276,840	334,743	246,141	326.636	1.835.371	1,646.419	1,689.222
Lumber, hardwood	7.375	7.104	5,542	8.188	9,015	5.999	40.681	49,398	40 691
Shingles and shakes	17,278	13.449	17,491	17,925	13,619	16,756	91,141	81,306	96.815
Other sawmill products	1,816	1.489	1,984	1.321	1.338	1.465	7,841	8,265	9.560
Veneer	11,455	8,050	8.610	8.854	6.667	7.726	54.294	50,070	51 461
Plywood	11,569	14,502	10,804	15,079	10.072	16.781	79.203	84.829	83,426
Other wood fabricated materials	18,924	11,151	16,510	19,491	13,786	18,922	97,877	78,812	110.069
Wood pulp and similar pulp	267,025	324,119	343,269	254,765	364,136	372.500	1.487.620	1,931,831	2.048.236
Newsprint paper	283.190	312,160	354,984	251,465	328,613	381.991	1,524.463	1,879,278	2,109.379
Other paper for printing	35,825	30,739	23,359	25,595	30.401	24,504	156,392	193,424	149.890
Paperboard	8,353	12,364	18,181	12.505	23,074	9.848	57,474	97,314	109,157
Other paper	24,850	29,897	35,164	26.272	34,854	26,391	143,855	201,139	187,660
Sub-Total	**1,014,705**	**1,010,293**	**1,112,736**	**976,201**	**1,081,715**	**1,209,518**	**5,576,211**	**6,302,085**	**6,685,566**
Textiles									
Yarn, thread, cordage, twine and rope	3,846	7,463	6,883	3,568	5,399	9,874	19,207	36,588	47,744
Cotton broad woven fabrics	648	1,353	1,222	466	967	962	4,129	6,884	5,506
Other broad woven fabrics	5,193	6,558	5,734	4,478	7,373	8,992	27,053	37,360	38,560
Other textile fabricated materials	6,013	6,815	6,347	4,978	6,201	7,245	33,700	38,377	42,020
Sub-Total	**15,700**	**22,188**	**20,185**	**13,490**	**19,941**	**27,073**	**84,089**	**119,208**	**133,830**
Oils, fats, waxes, extracts and derivatives	19,490	20,942	34,662	31,761	21,150	30,819	110,821	131,774	140,148
Chemicals									
Chemical elements	12,091	12,275	8,227	10,746	18,417	6,726	69,309	75,688	65,666
Other inorganic chemicals	63,606	131,401	72,911	73,673	116,147	89,753	360,606	500,714	478,043
Organic chemicals	86,185	92,642	112,840	62,105	77,129	100,022	311,389	453,155	625,750
Fertilizers and fertilizer materials	73,031	71,085	122,157	85,988	115,842	97,636	455,110	568,681	730,700
Synthetic rubber and plastic materials *	29,595	36,714	41,579	30,518	30,581	37,715	170,382	224,283	253,627
Plastics basic shapes and forms	10,567	10,340	11,793	8,992	10,007	12,817	52,887	65,903	70,337
Other chemical products	18,497	15,537	20,569	12,408	14,613	15,173	75,163	91,592	99,314
Sub-Total	**293,572**	**369,995**	**390,078**	**284,430**	**382,736**	**359,842**	**1,494,845**	**1,980,015**	**2,323,435**
Petroleum and coal products	191,441	122,318	170,517	116,867	208,668	227,537	960,603	1,134,094	1,384,623
Iron and steel									
Ferro-alloys	2,878	4,124	8,906	2,543	4,390	8,307	13,996	21,658	38,464
Primary iron and steel	19,322	19,228	54,529	10,991	7,227	26,853	74,211	87,257	210,627
Castings and forgings, steel	22,086	13,227	17,230	17,561	12,868	21,119	107,846	86,330	103,337
Bars and rods, steel	23,458	46,510	27,634	22,513	29,093	16,475	116,760	177,747	186,757
Plate, sheet and strip, steel	38,007	41,697	42,241	36,034	37,324	67,903	211,223	224,391	323,569
Railway track material	12,329	11,177	6,142	5,341	4,074	4,841	31,191	53,098	47,305
Other iron and steel and alloys	52,969	41,781	65,518	47,395	45,896	64,735	258,941	275,599	387,057
Sub-Total	**171,048**	**177,744**	**222,200**	**142,377**	**140,873**	**210,232**	**814,169**	**926,078**	**1,297,116**
Non-ferrous metals									
Aluminum, including alloys	95,315	101,159	163,318	47,075	138,015	112,004	501,196	711,593	817,681
Copper and alloys	37,217	61,564	68,553	40,003	66,610	68,704	201,044	487,899	368,144
Lead, including alloys	12,758	12,927	9,675	11,501	9,818	8,139	72,584	80,905	58,588
Nickel and alloys	46,020	87,119	67,635	42,060	75,359	81,192	229,062	518,857	405,795
Precious metals, including alloys	70,234	163,151	117,564	76,113	113,616	153,044	385,562	1,064,830	899,720
Zinc, including alloys	37,228	26,688	35,367	28,407	33,030	29,526	192,313	210,215	227,155
Other non-ferrous metals and alloys	6,613	6,032	8,436	5,596	5,303	6,336	34,453	47,804	51,818
Sub-Total	**305,385**	**458,639**	**470,547**	**250,755**	**441,750**	**458,944**	**1,616,214**	**3,122,103**	**2,828,902**
Metal fabricated basic products	50,356	43,885	55,417	48,116	45,418	75,240	272,084	293,255	327,941
Abrasive basic products	10,291	11,400	12,526	9,958	8,686	11,876	58,653	66,512	73,422
Other non-metallic mineral basic products	32,241	28,959	26,214	31,296	27,850	31,707	155,398	156,537	146,644
Electricity	54,962	50,557	92,293	60,717	45,627	102,825	346,796	403,249	603,117
Other fabricated materials inedible	9,396	11,139	11,686	9,377	9,041	18,071	50,897	60,932	80,901
Total	**2,172,059**	**2,331,170**	**2,622,706**	**1,978,034**	**2,436,800**	**2,766,882**	**11,555,903**	**14,714,113**	**16,045,743**

* Principal trading areas; see note 9 page 45

... Percentage change exceeds 999 percent.

TABLE X-3. DOMESTIC EXPORTS BY COMMODITY CATEGORY

TABLEAU X-3. EXPORTATIONS NATIONALES PAR CATEGORIE DE MARCHANDISES

COMMODITY CATEGORY	May / Mai			June / Juin			January to June / Janvier à Juin		
(version française à droite)	1979	1980	1981	1979	1980	1981	1979	1980	1981
	thousands of dollars - milliers de dollars								
End Products, Inedible									
Industrial machinery									
Engines and turbines, general purpose	11 160	13.646	15,442	24.407	11.256	17.881	84 475	66.489	85.423
Electric generators and motors	9.740	4.834	5,863	4.112	11.863	6.031	33.379	49.879	40.851
Other general purpose industrial machinery	32.760	28.686	35.457	36.677	31.684	42.210	179.256	200 860	212.620
Materials handling machinery and equipment	24.157	25.293	23:763	22.894	21.737	27.034	131.956	147.908	167.977
Drilling, excavating, mining machinery	19.882	22.844	73.098	24.807	18.429	66.397	116.904	123.405	351.203
Metalworking machinery	17.662	18.097	17.900	14.768	17.823	19.277	83.920	109.149	105.788
Woodworking machinery and equipment	10.529	12.151	10.426	8.377	11.181	8.253	55.110	64.014	56.868
Construction machinery and equipment	14.744	9.856	12.096	13.307	9.903	12.939	73.781	67.114	65.042
Plastics industry machinery and equipment	14.455	14.334	13.581	13.641	12.569	16.050	61.086	71.794	75.914
Pulp and paper industries machinery	9.286	21.971	9.253	15.782	25.126	5.782	47.441	139.691	43.627
Other special industries machinery	11.989	20.824	13.696	15.830	11.229	14.952	73.025	84.353	104.604
Sub-Total	**176,364**	**192,536**	**230,575**	**194,602**	**182,798**	**236,806**	**940,333**	**1,124,656**	**1,309,917**
Agricultural machinery and tractors									
Soil preparation, seeding, fertilizing mach.	9.345	10.115	10.144	6.546	7.657	9.233	41.712	60.942	62.154
Combine reaper-threshers and parts	34.935	57.333	29.814	27.544	33.588	17.970	143.425	232.360	125.872
Other haying and harvesting machinery	13.445	10.621	9.317	11.508	10.131	9.443	60.281	66.036	53.598
Other agricultural machinery and equipment	14.796	14.827	14.693	10.849	13.103	14.047	73.662	92.623	90.164
Tractors	16.934	13.972	20.400	14.131	12.726	23.263	88.599	101.602	128.632
Sub-Total	**89,455**	**106,869**	**84,368**	**70,577**	**77,205**	**73,955**	**407,680**	**553,563**	**460,420**
Transportation equipment									
Railway and street railway rolling stock	31.684	59.815	27.434	30.360	71.209	19.815	159.182	241.847	106.715
Passenger automobiles and chassis	360.686	360.619	502.973	380.548	385.228	530.922	2.352.337	2.192.672	2.599.169
Trucks, truck tractors and chassis	289.788	171.331	221.878	234.889	148.197	261.751	1.670.824	1.104.899	1.360.734
Other motor vehicles	43.537	23.838	28.935	26.340	20.249	52.732	154.018	154.342	221.370
Motor vehicle engines and parts	74.236	25.922	56.789	45.861	24.762	43.066	445.941	235.482	268.658
Motor vehicle parts, except engines	375.696	236.991	351.413	311.491	232.596	369.317	2.017.720	1.490.552	1.916.251
Ships, boats and parts	40.952	28.742	13.442	28.835	10.647	15.241	134.889	206.275	85.227
Aircraft complete with engines	29.240	29.715	74.898	3.705	18.050	39.571	103.988	132.192	188.689
Aircraft engines and parts	30.920	38.196	63.388	33.811	43.352	68.981	195.781	229.056	350.617
Aircraft parts, except engines	35.437	53.342	61.427	35.826	61.634	47.693	196.914	367.156	358.623
Other transportation equipment	33.504	19.819	32.357	22.476	21.166	33.142	136.939	123.005	241.023
Sub-Total	**1,345,678**	**1,048,330**	**1,434,934**	**1,154,142**	**1,037,091**	**1,482,231**	**7,568,532**	**6,477,481**	**7,697,077**
Televisions, radios and phonographs	12.094	5.859	7.546	5.415	4.763	9.831	59.496	39.957	52.958
Other telecommunication and related equipment	61.903	77.697	99.166	50.488	79.433	107.149	301.961	452.447	590.810
Other equipment and tools									
Heating and refrigeration equipment	7.427	9.798	9.366	6.182	8.877	13.038	42.606	58.502	65.732
Cooking equipment for food	1.301	1.678	1.898	1.896	1.709	2.115	9.311	9.867	12.510
Electric lighting and distribution equipment	23.153	23.176	24.242	22.908	22.996	24.401	125.642	135.143	140.418
Navigation equipment and parts	3.460	8.508	10.486	8.614	12.224	7.822	46.967	55.847	58.269
Other measuring, cont. lab. med. and opt. eqp	19.048	23.269	23.203	19.099	22.106	24.595	108.616	126.860	165.661
Hand tools and miscellaneous cutlery	5.473	7.049	4.366	4.316	5.757	5.835	27.189	34.412	32.621
Office machines and equipment	51.589	53.370	67.827	46.759	64.838	85.782	283.447	331.663	396.580
Other equipment and tools	30.621	34.974	41.150	28.309	33.763	46.019	167.249	210.617	242.799
Sub-Total	**142,072**	**161,822**	**182,539**	**138,082**	**172,270**	**209,607**	**811,026**	**962,909**	**1,114,590**
Apparel and apparel accessories	11.821	16.675	17.160	13.773	16.901	21.656	73.621	100.134	114.456
Footwear	3.090	3.273	2.057	3.756	3.961	3.424	14.959	15.113	13 409
Toys, games, sporting, recreation equipment	8.434	9.522	10.200	7.155	9.977	14.498	36.470	48.456	59.711
Other personal and household goods	17.615	21.055	15.969	16.333	16.747	17.847	85.009	113.962	105.064
Medical and pharm. products, in dosage	6.744	5.815	7.618	8.269	7.715	8.730	34.575	38.525	42.719
Medical, ophthalmic and orthopaedic supplies	3.804	3.825	5.490	3.660	4.229	5.807	17.433	23.264	32.852
Printed matter	10.454	17.527	15.714	11.148	17.544	16.872	62.030	95.110	96.952
Photographic goods	12.741	17.808	15.577	12.122	17.148	20.955	64.446	86.697	107.711
Firearms, ammunition and ordnance	2.052	1.999	2.170	2.160	1.160	2.241	10.521	15.229	15.161
Containers and closures	10.016	11.700	12.606	8.654	9.955	14.817	53.162	69.753	77.856
Prefabricated buildings and structures	12.917	10.467	33.335	13.004	9.993	16.167	74.593	76.736	162.239
Other end products	17.678	39.314	75.148	11.979	82.717	52.799	77.289	504.961	340.435
Total	**1,944,931**	**1,752,094**	**2,252,174**	**1,725,320**	**1,751,606**	**2,315,390**	**10,693,138**	**10,798,951**	**12,394,335**
Special Transactions, Trade	**15,023**	**17,597**	**70,968**	**13,707**	**14,146**	**371,760**	**81,328**	**85,762**	**693,803**
TOTAL, DOMESTIC EXPORTS	**5,732,605**	**5,942,130**	**7,000,541**	**5,224,872**	**6,459,133**	**7,610,457**	**30,591,967**	**36,818,681**	**40,954,221**

• Principal trading areas; see note 9 page 45.
... Percentage change exceeds 999 percent.