CANADA

# foreign trade

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**cover** Belgian carpets, Swiss cheese, French wines, German cars, Swedish ball bearings, Dutch horticultural products—all these products figure largely in Western Europe's exports to the dollar area. The photo-montage introduces our annual survey of trade and of business conditions in 14 continental European countries.

J. R. DOWNS,
*International Trade Relations Branch.*

# EUROPE

# *retrospect and prospect*

*The year 1954 saw healthy gains in output and trade in the countries of Western Europe. Reserves increased, despite a dollar trade deficit. Continued relaxation of import controls is paving the way for convertibility of currencies and freedom of choice for consumers. Prospects are for stable, expanding European markets.*

A WAVE OF PROSPERITY has buoyed up the countries of Western Europe. Industrial output of the continental countries rose by about 8 per cent in 1954, the best performance since 1951. The upsurge in production was not accompanied by a general rise in prices—it was, on the contrary, a healthy recovery from a period of slackness in 1952 after Korea. Europe's gross national product increased by 5 per cent in 1953 and by another 5 per cent in 1954. A period of high activity without inflation has continued for more than two years.

Industrial output has risen 25 per cent in seven years, paced by chemicals where production is double 1948. The volume of metal products has increased by 65 per cent and textile output is 33 per cent higher than in 1948.

In 1951 the OEEC countries set a target of a 4·5 per cent increase in GNP annually for five years. This rate has been exceeded during the last two years, partly because of favourable crops in 1953, and partly because of industrial advances. Germany, where recovery from wartime disruption was delayed initially, is leading the present boom.

Prosperity has benefited the consumer. Per capita consumption on the western continent is 10 per cent above prewar. Since 1946 output in Western Europe had consisted mainly of necessities, weapons, and goods for export. The present period of high output has provided a cornucopia of consumer goods for Europeans themselves—notably cars, furniture and appliances. Housing unit completions in 1954 were 12 per cent above 1953 and double 1948.

The record varies from country to country but it is plain that the consumer, long harassed by the exigencies of reconstruction and rearmament, is beginning to come into his own. Europe is over the worst of war's after-effects and the gap between European and North American levels of consumption is apparently becoming narrower.

## Trade and Balance of Payments

Europe was sufficiently productive in 1954 to provide both for greater domestic consumption and increased exports. The following tables indicate the size and direction of Europe's trade in 1953 and 1954.

I. EXPORTS OF 15 WEST EUROPEAN COUNTRIES
*(in millions of U.S. dollars)*

| *To:* | *Dollar Area* | *Non-Sterling OEEC Area* | *Sterling Area* | *Soviet Area* | *All Other* | *Total* |
|---|---|---|---|---|---|---|
| 1954 ...... | 2,169 | 12,636 | 3,853 | 827 | 3,052 | 22,537 |
| 1953 ...... | 2,250 | 11,128 | 3,520 | 700 | 2,794 | 20,392 |
| Change ... | −81 | +1,508 | +333 | +127 | +258 | +2,145 |

II. IMPORTS OF 15 WEST EUROPEAN COUNTRIES
*(in millions of U.S. dollars)*

| *From:* | *Dollar Area* | *Non-Sterling OEEC Area* | *All Other* | *Total* |
|---|---|---|---|---|
| 1954 ...... | 3,430 | 12,372 | 9,032 | 24,833 |
| 1953 ...... | 3,212 | 10,944 | 8,322 | 22,477 |
| Change ... | +218 | +1,428 | +710 | +2,356 |

Compiled from: *Direction of International Trade,* U.N. Statistical Office.

It is apparent that both exports and imports of the 15 European countries* increased by more than 10 per

* Austria, Belgium, Denmark, Finland, France, West Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Sweden Switzerland, Yugoslavia.

cent in 1954. About two-thirds of the increase was in trade between continental countries themselves, a reflection of high activity plus continuing liberalization of intra-European trade.

Europe's trade was affected by the U.S. recession in 1954 but the bogey of a dollar payments crisis did not materialize. Dollar imports of 15 European countries increased by $218 million because of high activity in Europe plus a reduction of discriminatory import controls. Dollar exports declined by $81 million. A dollar trade deficit of about $1·2 billion was more than offset by greater sales to third countries plus U.S. economic and defence spending.

The 1953-54 recession therefore did not undermine Europe's balance of payments. There was little speculation against European currencies. The prices of commodities remained generally firm and the incomes of overseas countries which buy from Europe remained high. Europe's gold and dollar reserves increased during 1954 to approximately $10 billion, a rise of about $1·5 billion.

### Canada's Trade with Europe

Canadian exports to 15 European countries totalled $340 million in 1954, a drop of $26 million from 1953. The decline is more than accounted for by a fall in exports of grains such as wheat and barley. Our grains, however, displayed strength in the face of bumper European crops and a running down of imported stocks. For example, exports of wheat to Germany, Belgium and Yugoslavia increased by some $10 million in 1954.

Most Canadian exports to Europe rose in value in 1954. Forest products, metals, chemicals and other commodities displayed strength. The decline over the calendar year conceals a favourable turn since August 1954, when our exports to 15 countries drew level with the same month in 1953 and then shot ahead by $11 million in September. Exports to Europe have been consistently higher since last August. In the nine months ended April 1955 our exports were $44 million ahead of the same period a year before. The export and import picture is summarized in the table above, which records Canadian trade with European countries in 1953 and 1954 and provides the latest available data for 1955. In the first four months of 1955, our exports were nearly 25 per cent greater than for four months of 1954.

Prospects for Canadian exports to Europe appear bright. Solid growth of the European economy and a steady relaxation of discriminatory import controls promise a stable expansion of trade in many items. Stable growth is the main element in the European scene and Canadian exporters are in a position to compete in the attractive markets of Europe.

Canadian imports from 15 European countries rose by some $6 million in 1954; this increase is more than accounted for by an expansion of imports from West Germany. With a high level of activity in Canada, the beginning of projects such as the St. Lawrence Seaway, and the recovery of European industry, it is to be expected that imports from Europe will increase gradually over the long term. A healthy growth of multilateral trade appears to be in prospect. Canadian imports were about one-half the value of our exports to Europe in 1954.

### Prospect of Europe

The year 1954 may justly be termed "Europe's great year". The continent cannot continue such a spurt forever. Bumper crops and carryovers of the 1953 size cannot be expected every year and labour shortages are evident in industry. Europe's exports rose in 1954 partly because non-dollar overseas countries were willing to deplete reserves to increase imports. This could not go on indefinitely.

The salient fact, however, is that Europe not only has weathered a United States recession but has become stronger. Recovery in the United States will aid the overseas countries and otherwise tend to improve Europe's exports. Economic growth is apt to proceed at a more "normal" pace in future. The continent will need to rely on greater efficiency of capital and labour to maintain a 4·5 per cent annual increase in output.

## Canadian Trade With Europe

*(millions of dollars)*

| | *EXPORTS* | | *Jan.-April* | | *IMPORTS* | | *Jan.-March* | |
|---|---|---|---|---|---|---|---|---|
| | *1953* | *1954* | *1954* | *1955* | *1953* | *1954* | *1954* | *1955* |
| Belgium | 69·5 | 55·0 | 14·0 | 13·9 | 29·1 | 25·1 | 5·5 | 4·4 |
| France | 32·3 | 33·8 | 10·5 | 11·3 | 22·3 | 22·0 | 4·1 | 4·3 |
| West Germany | 83·9 | 86·9 | 12·9 | 21·1 | 35·5 | 44·5 | 6·0 | 8·2 |
| Italy | 33·2 | 23·8 | 5·2 | 5·7 | 14·3 | 15·0 | 2·4 | 2·7 |
| Netherlands | 42·4 | 39·7 | 8·0 | 12·7 | 22·3 | 22·6 | 3·5 | 3·1 |
| Norway | 37·3 | 43·8 | 12·5 | 12·5 | 2·3 | 2·0 | 0·4 | 0·4 |
| Swtizerland | 29·8 | 26·8 | 10·1 | 11·6 | 20·4 | 19·2 | 4·5 | 3·7 |
| Eight other | 38·2 | 30·4 | 5·3 | 9·1 | 17·9 | 19·7 | 3·7 | 3·5 |
| Total | 366·6 | 340·2 | 78·5 | 97·9 | 164·1 | 170·1 | 30·1 | 30·3 |

A stable expansion is likely to continue. Population is growing at about one per cent a year and housing promises high activity for years ahead. Europe has displayed an ability to avoid inflation, her industry is more competitive, and the export picture is promising.

### Trade Controls and Convertibility

Discriminatory trade controls were substantially relaxed in 1953 and 1954. This process is continuing; over the last 12 months significant dollar liberalization measures have been taken by West Germany, Italy, Ireland, Sweden and Denmark. The day of real convertibility of currencies and freedom of choice for consumers is steadily approaching.

Freer trade has been a cause as much as a symptom of European prosperity. Reduced discrimination has aided the control of inflation, cheapened imports, and promoted increasing efficiency.

Europe has handled her economic problems wisely in the immediate past and this is a sure foundation for confidence in the future. Canada can take heart from this fact, for Europe's prosperity is important to our trade and general security. The day when European countries will participate fully in a multilateral trading world unhampered by import and exchange restrictions cannot be far distant. Europe already offers to many a competitive Canadian exporter a market that promises greater stability than at any time since the war.

# Austria

- *Year marked by higher industrial production and rise in reserves.*
- *Trade with OEEC countries liberalized in '54 to extent of 90 per cent.*
- *Imports from Canada showed $2 million increase, with wheat in lead.*

W. VAN VLIET, *Commercial Secretary, Berne.*

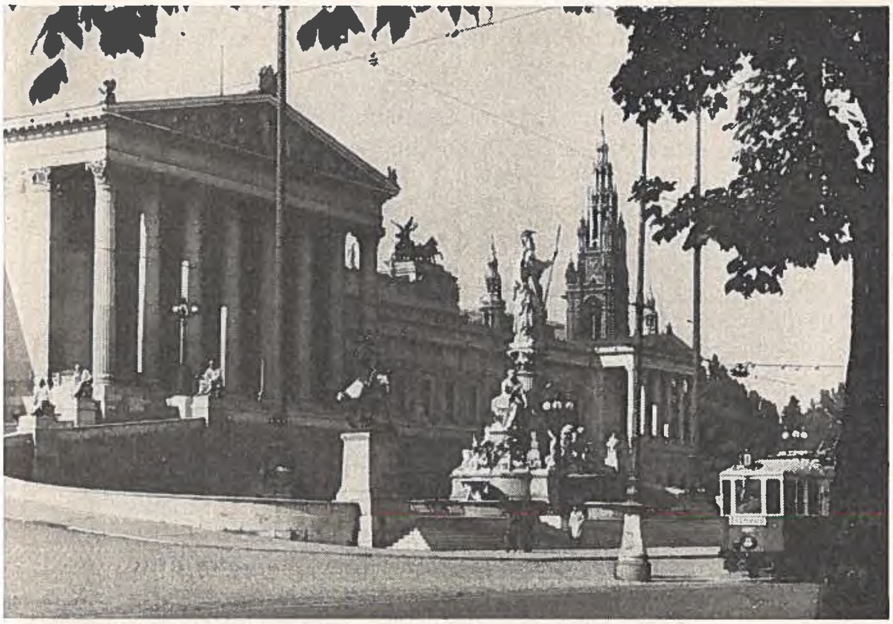
THE YEAR 1954 was for Austria one of sound progress which gave its people greater confidence in the economy. Industrial production increased 14 per cent and national income rose by an estimated 10 per cent; labour shared in the gains through greater employment and higher wages. At the same time, Austria followed an economic policy which is gradually bringing about freer world trade.

The basis for freer trade was laid in 1953 when Austria established one realistic rate of exchange for the schilling. Since then exports have risen sharply and larger imports have been permitted. The United States aid funds were used up by the end of 1954 and, although the deficit on trading account was larger, Austria's foreign exchange and dollar holdings rose at the same rate as in 1953. Liberalization within OEEC countries increased from 50 per cent in December 1953 to about 83 per cent in December 1954. There are also indications that some dollar liberalization may be forthcoming later this year.

Not all the circumstances are favourable. Although employment has risen substantially and there is some shortage of technical skilled labour, a core of unemployed remains. The bank discount rate was lowered from 4 to 3½ per cent but Austria has no money market and only short-term loans at a high interest rate are available. The long-term investment capital comes only from government-backed sources and in too small amounts. As a result of the recently concluded state treaty, the approximately 300 firms previously under Russian control are to become an integral part of the Austrian economy. These include major oil reserves and installations, much of heavy industry, and important base metal production and processing facilities. In return, however, the Austrian Government has to pay Russia in specified Austrian raw materials and commodities. This may place an additional strain on the Austrian economy at the very time when there are certain, though still minor, inflationary tendencies.

### Industrial and Agricultural Production

Austria's overall increase in industrial production of 14 per cent during 1954 contained considerable variations. Basic industries producing raw materials, capital



*Signing of the peace treaty recently has given back to Austria control of her economy and may bring certain changes, such as a revised and increased tariff and other trade moves. Photo shows the Parliament building and Town Hall in Vienna.*

goods and durables in general did better than producers of consumer goods. Pulp and paper production was up 24 per cent and such industries as automotive, iron, construction and electrical ranged between 20 to 30 per cent higher. On the other hand, the textile, leather and footwear, and foodstuffs industries gained 11, 7 and 2 per cent respectively over 1953.

Agricultural production at farm level is estimated to have risen by 6 per cent during 1954. However, bread grain decreased 11 per cent and feed grain about 8 per cent, making necessary larger imports than in previous years. Dairy and livestock production showed little change.

### Balance of Payments Improved

Following continual balance of payments deficits in earlier postwar years, Austria for the second consecutive year increased its foreign exchange holdings. At the end of 1954 these stood at $350·4 million equivalent, including substantial dollar reserves. Although the deficit on trading account increased, this was counteracted by various invisibles, resulting in the addition during 1954 of $68 million—almost the same as in 1953. Receipts from the tourist trade jumped from $61 million in 1953 to $80 million in 1954. The smaller earners such as electric power exports and freight also increased their incomes. Earnings from armed forces contributed particularly to dollar assets and were estimated to be about $35 million. The final payments of U.S. aid funds brought in $20 million in 1954, down from $40 million in 1953 and from the high of $300 million in 1949.

The country made impressive progress during 1954 in liberalizing imports from OEEC countries, bringing the amount up to about 83 per cent. By some rapid steps in this direction, Austria has become one of the countries which has gone farthest in freeing OEEC imports. In common with most other European countries in OEEC, the proportion of agricultural commodities freed lags behind other products and there is little indication of a reversal in this trend.

Prospects for the progressive removal of controls are uncertain in degree, even though a continuation of the more liberal trend is likely. Imports arising out of OEEC liberalization continued to increase substantially into the first months of 1955, outstripping the growth in exports and incurring a greater deficit than most official circles had foreseen. The consensus is that the situation will correct itself but in the interval major steps towards freeing more OEEC imports may be delayed.

### Controls on Dollar Trade

Most controls now apply particularly to the dollar area and to the entire field of invisibles. In 1952 imports of commodities from the dollar area totalled $103·9 million but in 1953 these declined to $76 million and in 1954 to $64·8 million, almost entirely because of more stringent controls.

No commodities which must be paid for in dollars are to date free from import licence. The granting of such licences for a widening range of commodities has been eased considerably in an administrative sense. A large amount of dollar goods is, in the interest of dollar conservation, being purchased over third countries. This naturally puts a price premium on them. Of total imports worth $64·8 million originating in dollar countries, almost one-third ($20·7 million) was purchased in this manner. Austrian authorities have for some time had the matter of issuing a limited dollar liberalization list—probably involving 15-20 per cent of trade—under study. It may materialize this year.

### Taxation and Tariffs

Two reductions in taxation have taken place—one effective during 1954 and the second at the beginning of 1955. Combined, these cut personal income tax since the beginning of 1954 by some 30 per cent for average income groups but less for the higher incomes. This lightens a taxation burden recognized as among the heaviest in Europe.

A revised and increased customs tariff is expected to be brought before Parliament some time this year and will probably become effective during the first half of 1956. This will change the basis of levying duties from specific (weight) to ad valorem, and will probably mean some tariff rises.

### Pattern of Trade

Austrian exports moved up to a new high in 1954, 20 per cent over 1953, following an increase of 22 per cent in that year over 1952. Despite this, the deficit on trading account increased from \$31 million in 1953 to \$43·6 million in 1954. Although the upsurge in imports resulted mainly from a more liberal import policy, greater industrial requirements and strengthening consumer demand, the weather had some influence. Smaller grain production compelled larger imports, particularly of feed grain.

Among Austrian exports, lumber alone accounted for 20·1 per cent during 1954. As a result, in the interests of the lumber manufacturing and of the pulp and paper industry, export controls were put into effect. Most major export products shared in the overall increase—including wood pulp, paper, staple fibres, electric power, glassware, and heavy machinery.

Regionally, the trade with OEEC countries increased, with imports from these countries accounting for 76 per cent of the total in 1954 compared with 66 per cent in 1953. The proportion of shipments to these countries to the total moved up to 70 per cent; Germany alone supplied 37 per cent of Austria's total imports. In prewar years trade with eastern European countries constituted about 40 per cent of the total each way, but exports to these areas in 1954 represented 9·4 per cent, about equal in volume but down percentage-wise from 1953. Imports from the dollar area declined slightly and so did exports—by 8 per cent.

### Trade with Canada

Imports from Canada into Austria rose from \$5·24 million in 1953 to \$7·37 million in 1954, according to Austrian statistics, and almost all this increase was in wheat. Apart from wheat, other Canadian exports rose fractionally from \$2·86 million in 1953 to \$2·96 million in 1954.

Austrian exports to Canada remained almost constant in 1954 at \$2·75 million. Austria has been increasing its efforts to develop trading connections in Canada. It again participated largely in the 1955 Canadian International Trade Fair for the third consecutive year.

Future development of Canadian exports depends principally upon Austrian trade policy on the removal of restrictions against the dollar area, and on the extent to which trade with the Balkan area revives. Canadian grain sales are vulnerable because Austria is likely to continue its controls and if supplies of the right quality are available, may draw from eastern countries or from alternative sources as a basis for stimulating exports to those countries. In so far as improved holdings of dollar and other transferable foreign exchange permits are concerned, some easing of controls on dollar products other than wheat (including finished goods and industrial raw materials) can be expected. In any event, the time seems opportune for Canadian exporters to establish closer contact with this market.

## Benelux Makes Progress

*Belgium and Luxembourg have been united in an economic union since 1921. In 1945, the Netherlands was invited to join this union and thus form Benelux. A customs union of the Benelux partners has been in force since 1948 and many problems have been solved. Still closer ties remain to be forged, however, in order to achieve full economic union. In essence, this economic union implies free movement within the three countries of goods, capital and people.*

*The three partners have made considerable progress in instituting free circulation of goods. A highlight in this connection was the implementation of a common Benelux import policy for many dollar goods in June 1954. However, restrictions still apply to the movement of certain goods within the Benelux area, particularly agricultural and food products and certain fisheries products. Although theoretically the movement of industrial products is free, in practice some quotas exist because of agreements between industrial organizations and other interests affected.*

*With regard to capital movements, an agreement was signed on June 8, 1954, covering the transfer of capital. Under it, the nationals of any of the three countries can invest capital in the other countries, repatriate and re-invest such capital, and freely transfer stocks and bonds and title deeds within Benelux. Some technical details on exchange problems remain to be settled.*

# Belgium

■ *Prosperity continued in Belgium last year and foreign trade increased.*

■ *Total trade with Canada was smaller; value of grain imports dropped.*

■ *Belgium continues to admit freely most imports from the dollar area.*

T. J. MONTY, *Commercial Counsellor, Brussels.*

LAST YEAR was a satisfactory one for the Belgian economy. In general, the prosperity which the country has enjoyed for a number of years continued in 1954; industrial production was some 20 per cent higher than in 1950. Belgium has continued to admit most dollar imports freely.

However, the country faced problems. One major one was unemployment; the other was the need for capital investment to modernize industry and agriculture and increase production and to develop transport facilities and the waterways. Government and industry have been studying these problems for some time; they realize that the solution of the second one could provide at least a partial answer to the first—unemployment. To encourage investment, the Government has provided incentives such as subsidies and tax exemptions and has been successful in floating two foreign loans.

### Foreign Trade Increases

Belgium's foreign trade in 1954 exceeded that of the previous year in both value and volume. The value of total imports rose to 127·5 billion francs, compared with 121·1 billion in 1953; exports totalled 115·2 billion francs, compared with 113 billion francs in the previous year. The unfavourable balance of trade, which in 1953 totalled 8·1 billion francs, increased to 12·3 billion francs in 1954.

Imports of grain and fodder, mineral fuel, wood and wood manufactures, paper and paperboard, cotton and motor cars all increased in 1954, but purchases abroad of fertilizers and textiles (wool) were smaller. The position of leading supplier to Belgium last year was taken from the Netherlands by West Germany. The Netherlands was second, France was third, and other leading suppliers were the United States, the United Kingdom and the Belgian Congo, in that order.

### Markets and Suppliers

The principal markets for Belgian products last year, in order of importance, were: the Netherlands, West Germany, France, the United States, the United Kingdom and the Belgian Congo.

The table below gives comparative figures for the value of Belgium's imports and exports, and its principal suppliers and markets, during the last three years.

**Belgo-Luxembourg Foreign Trade**

*(in billions of francs)*

| | *1952* | *1953* | *1954* |
|---|---|---|---|
| TOTAL IMPORTS | 123·0 | 121·1 | 127·5 |
| TOTAL EXPORTS | 122·6 | 113·0 | 115·2 |
| PRINCIPAL SUPPLIERS | | | |
| Netherlands | 16·2 | 16·6 | 17·1 |
| United Kingdom | 10·0 | 11·0 | 10·7 |
| France | 12·4 | 13·4 | 15·3 |
| West Germany | 13·3 | 14·9 | 17·4 |
| United States | 18·1 | 12·4 | 13·1 |
| Belgian Congo | 9·8 | 9·0 | 9·8 |
| PRINCIPAL MARKETS | | | |
| Netherlands | 18·7 | 20·1 | 24·1 |
| United Kingdom | 13·6 | 8·8 | 7·2 |
| France | 9·1 | 9·1 | 11·1 |
| West Germany | 11·7 | 10·5 | 11·1 |
| United States | 9·2 | 11·5 | 9·2 |
| Belgian Congo | 7·1 | 6·4 | 6·1 |

### Trade with Canada

Total trade between Canada and Belgium declined from $98·6 million in 1953 to $80 million in 1954. This decline can be attributed in part to smaller imports of Canadian bread grains, but imports of other Canadian commodities also fell. As the table below shows, Belgian exports to Canada, too, declined last year. However, the decline was not as marked as in imports.

BREAKDOWN OF TRADE WITH CANADA

| | *Imports from Canada* | |
|---|---|---|
| | *Other than grain* | *Including grain* |
| 1951 | $33,952,000 | $ 94,457,390 |
| 1952 | 36,753,000 | 104,376,217 |
| 1953 | 32,201,000 | 69,509,997 |
| 1954 | 21,280,000 | 54,987,335 |

| | *Exports to Canada* |
|---|---|
| 1951 | $39,095,024 |
| 1952 | 33,215,969 |
| 1953 | 29,082,037 |
| 1954 | 25,077,070 |

DBS Statistics.

As was the case in previous years, Belgium's largest import from Canada was wheat, which with other grains—barley, rye, oats and linseed constituted 60 per cent of total imports from Canada. Last year, the value of imports of wheat and other grains dropped by approximately $5 million. Also smaller were imports of transport materials (auto bodies, parts, etc.) which fell from $5 million to $75,000, and foodstuffs which declined slightly from $2·8 million to $2·6 million. Shipments of mineral products from Canada remained steady at $5·2 million; base metal imports increased from $1·5 million to $2·6 million, paper and paper products (mainly wood pulp) from $350,000 to $2·08 million, and chemical products from $1·6 million to $1·9 million.

The decline in Belgian exports to Canada was mainly in base metals, principally steel, which fell from $11 million to $7 million. Sales of textiles, glass, chemicals and pharmaceuticals also were smaller. No outstanding increase was registered.

As the table shows, a point to be noted in these trade exchange is that, if we subtract grain from the figures of Canadian exports to Belgium, we find that imports and exports have been approximately in balance during the last four years. There appear to be opportunities for continuing trade in many Canadian commodities on the free and prosperous Belgian market.

# Denmark

- *Foreign exchange shortage called for legislation to repair deficit.*
- *Danish market up for raw materials and for semi-finished goods.*
- *Canadian chemicals, chemical products, converted paper, and rye are in active demand.*

C. F. WILSON, *Commercial Counsellor, Copenhagen.*

DANISH TRADE has weathered two foreign exchange crises within less than a year. In spite of this, many dollar imports have during this period been freed from restrictions. In a country whose economy is highly sensitive because of its dependence upon foreign trade, it is not surprising that temporary difficulties should arise. Basically, however, development over the post-war years has been most encouraging.

## Correcting Exchange Deficit

Some 18 months ago the Danish Government adopted a liberal economic policy in the expectation that the country could stand up to any international economic recession. Although the impact from that source was scarcely felt, the easing of credit, encouragement to new investment, and the raising of wage rates resulted in a decline in Danish foreign exchange holdings by the summer of 1954, mostly as regards Denmark's accounting position in the EPU. An emergency session of Parliament was called last fall and took the initial steps towards correcting the imbalance. Parliamentary action was again taken in March 1955 to repair the growing imbalance in a way that would disrupt foreign trade and employment as little as possible during the rest of 1955.

Danish adherence to the principles of free multilateral trade by which the country lives was reflected in this March legislation, which does not restrict trade. Exchange reserves have not been very great at any time in the postwar years and, although the dollar reserves position did not change greatly through 1954, the country came close to exhausting its credit in the EPU. Corrective measures adopted in September 1954 eased the adverse balance through November and December, but the situation deteriorated again in the new year. The Government's Economic Survey issued in February 1955 indicated that a further depletion of the reserves was in prospect during the year. To meet this situation, the Government imposed a series of purchase taxes, generally at the rate of 15 per cent at the wholesale level, on consumption goods—primarily textiles, leather and gasoline. It also raised certain railway and postal rates. Milk subsidies were removed and amusement taxes increased. The only tariff changes in the new legislation consisted of higher duties on coffee and tea.

The revenue from the purchase taxes (which is ultimately to be refunded to the public) is calculated to take up Kr.450 million a year for the next two years, roughly equivalent to the estimate of the foreign exchange deficit which it is hoped these measures will prevent. This method of dealing with the problem through compulsory savings has minimized interference with the channels of trade. The adoption of such procedures is in no small part due to Denmark's awareness of the way in which its trade can be harmed by restrictive measures elsewhere.

### Manufacturing Industry Growing

Denmark's natural resources are confined almost exclusively to its surface soil and the sea around it. Although agricultural production is highly developed and contributes extensively to the country's exports, the value of manufacturing is already beginning to overtake agricultural production in terms of values. The bulk of Danish manufactures are for internal consumption, but they have in the postwar years contributed a growing share of Danish export trade. Because there is so little scope for stepping up agricultural production without increasing the dependence upon imported feedingstuffs, the avenues of expansion in the Danish economy lie principally in increased manufactures and in the export of services such as shipping and engineering. However, the increase in manufacturing means that the country must import more raw materials and semi-processed goods.

Danish fisheries have barely maintained their output in recent years, although landings have been higher this spring.

The non-agricultural sector of the economy has made fairly steady progress during the postwar years and has contributed to employment and a relatively high living standard. The terms of trade have turned somewhat against Denmark within the past twelve months. Prices of commodities which she imports have shown resilience but those agricultural products which are mainstays of her export trade have not enjoyed price increases. Basically, the future prospects for the Danish economy lie in larger exports of finished products and services.

### Import Licensing Eased

Although the Danish Government was primarily occupied with the foreign exchange problem, it did not neglect trade liberalization measures. On February 21st, import licence requirements for a number of commodities were abandoned and these are now open for import from Canada and many other sources. Plans are reported to be under way to increase the free list in June, although finished durable consumer goods will probably continue under import control. Liberalization has been extended in the first instance to raw materials and semi-finished goods in the hope that the free list can gradually be extended. This is compatible with Denmark's stake in seeing trade restrictions generally minimized. For example, Danish policies at GATT conferences run parallel to those of Canada.

### Wage Policies

Wage agreements in Denmark were revised in the spring of 1954 and the agreements do not come up for renewal until the spring of 1956. Nevertheless some 70,000 agricultural workers pressed their claim this spring for a reduction in the working day which would have the net effect of raising wages. The dispute was not resolved and it was only after an employers' lock-out had stopped milk deliveries and butter exports for three days that a measure providing for compulsory arbitration was adopted. An increase in production costs could affect Denmark's competitive position in markets for agricultural exports.

### Marketing Problems

Exports of farm products have been running at somewhat higher levels in the spring of 1955 than they did a year ago, although the future prospects for bacon and butter are clouded by increased production in the United Kingdom. The search for alternative markets offering a continued demand is not easy in the face of greater agricultural output in other countries.

Exports of industrial goods have also risen so far this year. While the volume of exports of both farm and industrial products has increased, imports of raw materials and semi-finished goods have more than offset this.

CANADA'S TRADE WITH DENMARK IN 1954

| *Main Exports from Canada* | | *Main Imports into Canada* | |
|---|---|---|---|
| Total | $2,928,675 | Total | $3,463,126 |
| Asbestos crude and waste | 669,000 | Cryolite (from Greenland) | 803,620 |
| Wheat | 627,984 | Cheese | 474,456 |
| Copper semi-fabricated | 488,546 | Machinery n.o.p. | 306,804 |
| Drugs and chemicals n.o.p. | 255,896 | Grass seed | 189,046 |
| Rye | 231,292 | Confectionery and candy | 85,875 |
| Radio wireless apparatus n.o.p. (excluding domestic sets) | 120,579 | Cordials and liqueurs | 67,897 |
| | | Soya bean oilcake and meal | 50,049 |

(DBS statistics)

There is an active demand for Canadian goods, particularly chemicals and chemical products and converted papers. Imported feeds have been in greater demand, although purchases from Canada have been confined mostly to rye. Danish trade with Canada, although it is not large, is about in balance, with exports to Denmark totalling nearly $3 million in 1954 and imports from that country $3·4 million. Prospects of selling particular commodities in this market are by no means discouraging.●

# Finland

- ***Export surplus of previous year maintained, but smaller than in '53.***
- ***Britain regained traditional place as Finland's chief trading partner.***
- ***Fewer non-ferrous metals purchased from Canada than in 1953.***

L. A. CAMPEAU, *Commercial Secretary, Stockholm.*

THE YEAR 1954 was a good one for the Finnish economy, mainly because of the brisk demand for forestry products in the world market. Exports exceeded imports, as they did in 1953, but the trade surplus was considerably smaller than in the previous year.

Domestic demand was given further impetus by the price reductions and subsidies which formed part of the Government's program. In spite of some inflationary influences, the value of the currency remained stable; national income increased by about 6 per cent, to a peak of 650,000 million Finnish marks. Unemployment, which was high early in the year, declined as the months went by.

Building activity, which in 1953 exceeded that of 1952, continued to expand in 1954 and there was a marked shift from rural to urban construction. Extension to existing plants and new construction increased exporting capacity and a livelier demand pushed production in many spheres to fresh peaks. Industrial production costs are still higher than in many other countries and the problem of reducing them continues to demand attention.

The money market, down to some extent in 1953, was fairly tight throughout the year. The demand for credit was high and credit institutions were sometimes unable to satisfy the total need.

### Agriculture Has Poor Season

Weather conditions were unfavourable during the last growing season and the excessive humidity, especially during the harvest, had a bad effect on the quality of the crops. In quantity, total crops decreased by 4 per cent compared with 1953. Output of bread grains was larger than in the previous year—386 million kilograms compared with 348 million in 1953—mainly because of a larger acreage. The oats and barley crops fell off and the potato crop was 22 per cent smaller than in 1953. The fodder crop was also smaller and although the hay harvest was about the same as in 1953, the quality deteriorated.

The poor fodder crop and bad weather during pasturage reduced the output of milk towards the end of the year, although earlier it had promised an increase. As it turned out, production remained about the same as in 1953. Butter production followed much the same trend and the decrease, combined with a reduction in prices, brought stocks down rapidly. At the end of the year butter had to be imported. The output of cheese and eggs increased and the production of meat was up slightly, with pork showing the biggest rise.

### Foreign Trade and Foreign Markets

Finland's foreign trade showed a surplus of 5,636 million Finnish marks in 1954 compared with 9,695 million in 1953.

*(in million Finnish marks)*

| | *1953* | *1954* |
|---|---|---|
| Exports | 131,555 | 156,618 |
| Imports | 121,860 | 150,982 |
| Export surplus | 9,695 | 5,636 |

Total value of exports increased by 19 per cent over 1953, mainly because of a growth in volume as the rise in export prices was only moderate. Of the total increase, over 18 per cent stemmed from larger exports of paper and wood products. The volume of exports, however, was up last year in almost all fields; the main exception was prefabricated houses.

The value of imports totalled nearly 24 per cent more than in 1953 and the volume increased even more because prices of imported goods were, on the average, slightly lower than in 1953. Raw materials and semi-finished goods in the textile and metal trades were the main contributors to the growing volume. There was an appreciable drop in imports of grain and other foodstuffs.

The United Kingdom, which had to surrender its traditional leading position to the USSR in 1953, regained first place in 1954 with 20·7 per cent of the total trade. The proportion of the USSR was, however, still high—19·4 per cent of the total.

### Trends in Canadian Trade

Finland's trade with Canada is smaller than with some other countries in North and South America, mainly because 90 per cent of Finnish exports consist of wood products and paper. Prewar, Finland's main imports from Canada were wheat and non-ferrous metals but there has been an appreciable change. In the first few postwar years, aluminum cable was her main import from Canada and motor cars also figured largely. In 1954 the main purchases from Canada were rubber products, tires, seeds, machinery and equipment, vehicles and parts, electrical equipment and chemical products. The 1954 imports from Canada totalled 92 million marks, a decline of almost 64 per cent from 1953 because of a drop in sales of non-ferrous metals. Exports to Canada, at 144 million marks, remained about the same. The table below illustrates Finland's trade with Canada in 1954, compared with the previous year.

*(in million Finnish marks)*

| | *1953* | *1954* |
|---|---|---|
| Exports to Canada | 145 | 144 |
| Imports from Canada | 252 | 92 |
| Balance for Finland | −107 | + 52 |

The question of import liberalization has been carefully examined for some time. So far, however, imports from all sources are still subject to licensing and there are no signs that the situation will soon change. For commodities which are considered essential, fairly liberal licensing is already the practice.

During 1954 the exchange position became considerably stronger. The currency reserve increased by a net 8,500 million marks to 36,400 million, gold and dollar reserves rose by 900 million marks to 14,100 million, and the reserves of EPU currencies went up by 12,800 to 17,000 million. This improvement has made it possible to intensify efforts to reduce bilateralism in foreign trade and payments.

The prospects for the current year are reassuring so far. The market for the Finnish staple export products remains markedly stable and fresh capacity added to the paper industries provides a basis for a steady increase in exports. Expansion will continue in the current year. Production of newsprint is also expected to rise more than 20 per cent above the 1954 level.

# France

- ***Favourable balance of payments achieved in '54, first since the war.***
- ***Progress recorded in many fields last year has continued into '55.***
- ***Canadian exports to France rose slightly last year over 1953 figures.***

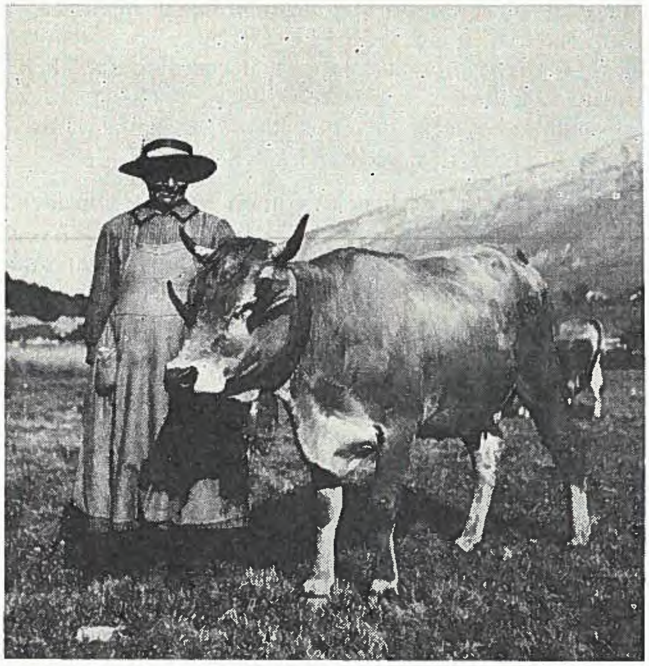
B. C. BUTLER, *Commercial Counsellor, Paris.*

IN COMMON WITH HER EUROPEAN NEIGHBOURS, France had a good year in 1954, and at the end of December almost every sector of the economy reached the highest levels in the country's history. For the first time since the war the balance of payments was in France's favour. The index of industrial production averaged 156 (1938=100), prices were stable, and there was an upward trend in wages and salaries, with increases averaging about 5 per cent.

With about 40 per cent of her people living directly off the land, agriculture has an important place in the French economy, although farm output accounts for less than a fifth of gross national product. Crops were good in 1954. The wheat harvest was the largest ever and wheat exports went up. The main export markets were the United Kingdom, Hungary, Germany, Poland and Denmark.

After the recession of the previous year, business began to show unmistakable signs of improvement in the spring of 1954 and by midsummer the upswing was general. Consumer goods, which had been the hardest hit, set the pace and capital goods, which had suffered less, quickly responded to the new activity. Motor vehicle production, at 590 thousand, exceeded all records; 430 thousand were passenger cars, 100 thousand more than in 1953. France ranks fourth as an exporter of motor vehicles, with shipments in 1954 of some 132 thousand. The building industry added 170 thousand new dwellings compared with 115 thousand in 1953. Unemployment has not been a serious problem in postwar France and the number of jobless was further reduced by 8 per cent.

The table on page 12 shows the indices of production for the main industries of France (1938=100).



*A typical peasant of Savoy, with her precious cow. About 40 per cent of the French people still make their living from the land and farm turn out comprises one-fifth of the gross national product.*

PRODUCTION INDICES

| | 1954 Average | March 1955 |
|---|---|---|
| Coal | 118 | 125 |
| Electricity | 230 | 266 |
| Petroleum refining | 342 | 352 |
| Iron ore | 133 | 154 |
| Iron and steel | 173 | 207 |
| Motor vehicles | 237 | 291 |
| Textiles | 108 | 111 |
| Building products | 192 | 183 |
| Chemicals | 128 | 142 |
| Paper | 139 | 158 |
| Glass | 162 | 178 |
| Combined index | 156 | 175 |

### Trade Balance Improves

The value of French exports covered 98 per cent of total imports into the country in 1954 compared with about 66 per cent prewar.

The near-balance of French exports and imports was again achieved by the continually favourable trade with the overseas parts of the French Union and with non-dollar and non-sterling countries. On the other hand, imports from dollar countries were covered by French exports to an average of only 57 per cent, and from sterling area countries, to only 39 per cent.

Expressed in U.S. dollars, for the first quarter of 1955 French foreign trade showed an overall favourable balance of $38 million compared with a deficit of $51 million for the first quarter of 1954. Trade with Overseas France, which showed a favourable balance of $126 million for the quarter, was again offset by unfavourable balances with the dollar and sterling areas. Thus, the balance of payments position continues to improve, although the deficit in trade with the dollar area increased to $60 million for the first quarter of 1955 compared with $52 million in the first quarter of 1954.

The position of France in the European Payments Union has shown a marked improvement. The current account has been in surplus for several months and the cumulative deficit is now small in relation to the position France has achieved in European trade.

The recent report of the Bank of France indicates that reserves of gold and foreign currencies stand at the highest point since the end of World War II—over $1,400 million.

### Import and Exchange Controls

The comprehensive French system of import and exchange controls was continued in 1954. Apart from limited trading opportunities under French compensation arrangements and provisions introduced in April 1955 to facilitate the exhibition of goods at French fairs (see *Foreign Trade* of May 14, page 19), imports into France from Canada and other dollar countries are restricted to only the most essential items.

As regards French quantitative controls on trade with the other countries of Western Europe, France introduced significant relaxations under the OEEC code of trade liberalization. By the end of 1954 France had freed from quantitative controls 65 per cent of the items imported on private account from Western Europe in 1948. In April 1955 this was raised to 75 per cent. At the same time, however, a special compensation tax ranging from 7 to 15 per cent was levied on most of the items so liberalized. This tax applies to imports into France from all countries, including Canada, although Canadian suppliers do not benefit from the liberalization measures.

### Franco-Canadian Trade

French statistics show an increase in Canadian exports to France in 1954, with a total of 14·9 billion francs ($52 million) compared with 13·9 billion ($48 million) in 1953. Imports from France dropped to 7·6 billion francs ($26·6 million) against 9 billion ($31·5 million) in 1953. However, imports from France in 1953 were 50 per cent above 1952.

Canadian figures show exports to France in 1954 of $33·8 million ($32·2 million in 1953) and imports from France of $22 million ($22·2 million in 1953). Most of the difference between French and Canadian statistics probably stems from the fact that certain shipments are routed via other European countries, Belgium and the Netherlands in particular.

The main exports from Canada to France in 1954 were oil seeds, synthetic rubber, asbestos, wood pulp, copper, gold, certain chemicals and plastics, agricultural machinery, ores and base metals, furs and skins, lumber and wood products.

Principal imports from France were wines and liqueurs, textiles, books, essential oils and perfumes, chemicals and pharmaceuticals, glassware, iron and steel products, optical goods and jewellery, religious articles or ornaments.

### The Outlook

France made substantial progress in 1954 and this has continued into 1955. The business tone is optimistic and the recent change of government has not noticeably altered the overall policies of the country on domestic or external trade. There is reason to suppose that conditions during the remainder of the year will co-tinue steady and that further progress will be achieved.

Nevertheless, the opportunities to increase Canadian exports are likely to continue to be limited by first, the relative self-sufficiency of France in terms of the goods Canada offers, notably agricultural products and foodstuffs, but affecting also many basic raw materials; and second, the continuance of rigid import controls. Sale of French products to Canada is undoubtedly affected by the disparity between French prices and those of other sources of supply.

# Greece

- ***Foreign trade increased in 1954; imports from Canada up 62 per cent over '53.***
- ***Export earnings from tobacco, cotton, and dried fruits rose; further improvement promised.***
- ***Need for more business capital, rising prices, threat of inflation continue to be problems.***

W. R. HICKMAN, *Acting Commercial Secretary, Athens.*

BUSINESS CONDITIONS in Greece, stimulated by currency devaluation and import liberalization measures dating from 1953, have shown marked improvement throughout 1954 and into this year. Trade was particularly active; commodity exports and tourist earnings both attained record levels and the flow of imports from all sources was substantially greater than in 1953. Agriculture and industry progressed both in terms of increased output and of capacity. An encouraging rise in capital investment from abroad during the last few months should help industrial expansion and improve the outlook for the balance of trade.

### Financial Problems Persist

In the setting of a tight monetary and credit policy, inflationary trends have been modified greatly since devaluation, although prices are still rising. The cost-of-living index climbed 14·6 per cent during 1954 and the wholesale price index 10·8 per cent. Present fiscal measures—undertaken to restore import duties to the levels prevailing before devaluation and to raise consumption and income taxes against a deficit in the state budget—will put additional pressure on prices for some months to come. Bank credit has been expanded as a result of a 30 per cent increase in deposits, but business is still hampered by a severe shortage of working capital. The open market rate of interest runs between 2 and 3 per cent a month, compared with an official annual rate of 10 per cent which applies mainly to agricultural and industrial credits. Accordingly, liberal selling terms have been an essential feature of the pronounced foreign competition and expansion in import trade in Greece. A recent tightening of import credit restrictions in over-extended sectors of the market has succeeded in stabilizing the import business. This measure did not, however, affect the existing freedom from import restrictions for most goods entering Greece.

### Agriculture Supports Economy

Greece is predominantly an agricultural economy and derives the major part of its export earnings from agricultural products. Agricultural production showed little change in 1954 from the previous year but tobacco, cotton and dried fruits made major export gains. The country is currently embarked on an irrigation and land improvement program covering 337 thousand acres, through which it hopes to raise production and improve the trade balance. The outlook for the current crop year promises increased yields of cotton, tobacco, olives, citrus fruits and wheat; the latter is forecast at about the 1953 record of 1·4 million tons.

### Foodstuffs Purchased Abroad

Appreciable quantities of wheat, animal and dairy products, fertilizers and farm machinery must be imported. Wheat imports during the present crop year totalled 300 thousand tons, all from the United States and paid for with aid funds. However, there is a good possibility that the foreign exchange position within the next year or so will permit purchases from Canada as well. Canadian certified seed potatoes of the Sebago and Katahdin varieties were introduced into Greece in 1954 and purchases were substantially larger this year. Interest has also been shown in Canadian nitrogenous fertilizers. Since the liberalization of imports in 1953, Canadian self-propelled combines have occupied a leading position on this market, although total business in this line is down this year following the initially high demand.

Greece, despite its location on the sea, is a net importer of fish and presents a market of increasing interest to Canada. The domestic catch (60,000 tons in 1954) is supplemented by imports of wet salted codfish, smoked herring, canned salmon and sardines, pilchards, and salmon roe. This trade amounted to 23,000 tons last season and included appreciable quantities of Canadian salmon and salmon roe and, to a lesser extent, codfish and sardines.

### Industry Is Growing

Production in all branches of industry increased encouragingly in 1954 and the basis for future expansion was considerably broadened. The cement, paper and textile industries made notable progress with the addition of capital equipment; a $650 thousand cotton mill was set up in Patras, financed by the Import-Export Bank. New export business in woollen textiles to the United States this year is expected to reach $1·4 million. The increased capacity of the paper industry has pushed requirements for imported wood pulp up to about 30,000 tons, adding to Canadian sales possibilities. On the other hand, greater output of food products, electrical appliances, chemicals and leather will limit Canadian export prospects for these commodities.

Ore and metal production is growing—export sales exceeded $8 million during the first nine months of the current fiscal year. Lignite production almost doubled during 1954 to meet increased power demands, and now faces a further expansion to fill orders from the railways and for a 65,000 kw. thermo-electric power project to be constructed at Ptolemais. This plant has been designed chiefly to serve the commercial fertilizer industry. The lignite project, undertaken partially by the Krupp interests in Greece, is linked in a financial way with another major development in mining—the Larymna nickel concentrator scheduled to begin operations next fall. It is estimated that about $5 million a year in foreign exchange will be forthcoming from the export of nickel ore to West Germany.

### Investment Projects Under Way

Two long-term investment projects, on which negotiations were completed in May of this year, are adding appreciably to the industrial potential of the country. One of these involves the construction of an oil refinery near Athens, the first basic national industry planned by the present Government. Its capacity of 1·3 million tons a year will supply domestic liquid fuel requirements, including fuel for jet planes, and will save an estimated $5·5 million in foreign exchange. The project will be completed in 24 months and will cost $16 million; it is financed by German credits guaranteed by the German Government. The second project is the Megdova hydro-electric power plant which incorporates construction of an 84,000 kw. hydro-electric power plant on the Megdova River in Thessaly, land improvement and irrigation works in the Karditsa plain, and transmission lines from the new power plant to the national grid. The overall expenditure for the joint project will be about $12 million, of which $6 million in foreign exchange is to be provided under French credits guaranteed by the French Government. Construction is scheduled to begin this July and to be completed toward the end of 1958. It is hoped (but not at all certain) that the transmission line requirements may be met partly by aluminum cable from Canada.

### Balance of Payments Improves

According to official figures, the net balance of payments position, excluding foreign aid, for the fiscal year 1953-54 showed a deficit of $16·2 million, a considerable improvement over the 1952-53 deficit of $41·1 million. However, the net position at the end of March 1955, covering the first nine months of the current fiscal year, revealed a deficit of $17·4 million compared with a surplus of $9·1 million for the corresponding period of 1953-54. This reflects the wave of imports which followed liberalization and which is now falling off sharply because of reduced demand and credit restrictions.

The deficits are covered principally by foreign aid and to a small extent by Italian war reparations, both of which are now diminishing. Aid available during the current fiscal year totals $69 million, of which $26·5 million is this year's aid allocation and the remainder unused balances from previous years. About $45 million of this total, in addition to $3 million war reparations, has been used to balance the deficit position on current and capital account ($17 million) and to increase foreign exchange assets ($31 million, mainly in dollar and Swiss franc accounts), leaving about $25 million still available. In addition to this aid, a supplementary grant of $8·8 million in foodstuffs and coal was received for distribution to indigents and the state railway, respectively. The gold and foreign exchange reserves of the Bank of Greece totalled $154 million at the end of March 1955, an increase of $5 million over the first nine months of this fiscal year and of $14 million over the past 15 months. The preliminary figures for April 1955 show a further increase of $5 million; approximately 80 per cent of these reserves are in gold and dollars. For the fiscal year ahead, some $15 million in United States aid has so far been allocated to Greece. There is official hope that this amount will be increased in view of recent earthquakes and state budget difficulties.

### Foreign Trade Increases

Freed from quantitative restrictions in 1953 and aided by increasingly liberal credit terms, imports climbed by 47 per cent during the first three quarters of this fiscal year, reaching a total of $266 million at the end of March. Exports—bolstered by increased production of tobacco, raw cotton, dried fruits, minerals and metals—rose 28 per cent over the same period to reach a total of $144 million. The resulting trade deficit of $122 million was balanced mainly by net invisible earnings of $90 million from emigrant remittances, shipping, and the tourist trade, plus net receipts of $14 million from capital operations. Foreign aid covered the remaining deficit of $17·4 million.

### Trade with EPU

Trade with EPU countries has followed much the same pattern as in previous years—imports from this area were down slightly at 70 per cent of the total; exports were steady at 65 per cent. The dollar area continued to take about 20 per cent of total Greek exports and in line with the percentage decline of imports from EPU countries, supplied about 20 per cent of all imports compared with 15 per cent during the previous fiscal year. This gain largely reflects increased purchases of wheat financed through dollar aid.

### Trade with Canada

Freedom from import restrictions brought further expansion of Canadian exports to Greece during 1954, both in volume and number of new items. The total reached a value of $2·5 million. This was 62 per cent above the 1953 figure of $1·5 million and compares favourably with the overall increase in imports into Greece of 31 per cent during the same period. For the first three months of 1955, Canadian exports to Greece continued to show strength and totalled $839,607, compared with $473,783 for the same quarter of 1954. Among the Canadian commodities entering Greece recently for the first time or after long absence were wood pulp, newsprint, seed potatoes, flax seed, beecomb foundation, refractories, semi-fabricated aluminum, farm machinery, pharmaceuticals and canned foods. The sale of certain other items, including primary aluminum, upper leathers and canned salmon, also rose considerably. The deciding factors for Canadian exporters in dealing with this market continue to be competitive prices and credit facilities. The latter need not involve undue risk if proper care is taken in selecting an agent. In addition, prompt action and service are effective in attracting local firms.

Imports into Canada from Greece at $231 thousand for the calendar year 1954 have shown less tendency to increase. They include principally food specialties, tobacco, sponges, processed furs and, more recently, handicrafts.

### Trade Problems

By January of this year, outstanding import approvals against sight and time draft terms in Greece had reached $130 million, approaching the regular foreign exchange potentialities of the country. Credit curbs, calling for cash deposits with the Bank of Greece against purchases on terms other than under letters of credit for most goods, and for bank guarantees for certain essential raw materials and capital goods, were imposed in February to check the accelerated rate of imports. (See *Foreign Trade* of March 19, 1955.) These measures have succeeded in forcing out much of the speculative element and reducing credit risks to foreign suppliers. In bringing imports more into line with effective purchasing capacity, they have achieved a major step towards more balanced and dependable trading conditions.

### The Trading Outlook

However, internal financial weaknesses arising out of wartime impoverishment and the persistence of inflationary pressures are still causing some difficulty. Although much less severe than a few years ago, these financial difficulties are reflected today in an acute shortage of business capital and in increased taxes and tariffs designed to place state finances on a better footing. For the most part, however, the problems the Greek economy faces appear to be temporary. However, the present expansion in industry and trade and the anti-inflationary government policy should bring a steady improvement in business and trading conditions.●

# Ireland

■ *Deficit in 1954 overall balance of payments was smallest since 1946.*

■ *Strong British demand for Irish cattle and meat marked '54 trade.*

■ *Imports from Canada rose sharply in first quarter of 1955.*

T. G. MAJOR, *Commercial Counsellor, Dublin.*

THE REPUBLIC OF IRELAND continued to enjoy a moderate degree of prosperity during the year ended March 31, 1955. This reflected, in the main, the rising tide of economic recovery in Western Europe and especially in the United Kingdom. One of the chief factors in the Irish position was the strong demand in Great Britain for store cattle and meat; shipments of cattle more than doubled during the nine months following Britain's removal of controls from the meat trade. This, with the wheat subsidy, counterbalanced the effects of the extremely unfavourable weather during the crop season. There was also an increase of about 4 per cent in the volume of production of industries producing transportable goods during 1954. On the other hand, housing construction under state-aided schemes declined and returns from the tourist trade were lower because of the cold, wet summer. However, business conditions in general were good throughout the year, although there were rumblings of dissatisfaction among urban workers over the continued rise in prices without compensating increases in income.

## Balance of Payments

The year was marked by a further drop in the overall deficit on the international balance of payments to £5·5 million, the smallest since 1946. Expenditures totalled £193·1 million and receipts £183·7 million. Imports and exports were valued at £177·4 and £113·4 million respectively. Remittances from emigrants brought in £11·1 million, income from capital investment £24·2 million, and receipts from the tourist trade £17·9 million. Expenditures abroad included £12·2 million for payment on capital investments in the Republic. The vital importance of the United Kingdom in the Irish economy is established by the fact that 85 per cent of total receipts came from, and 63 per cent of the expenditures went to, that country, including £5·4 million in emigrants' remittances and £3·4 million in pensions. Receipts from the dollar area totalled £18·7 million, of which emigrants' remittances and the tourist trade accounted for £8·2 million.

The cost of living, and particularly retail food prices, rose slightly during the year. Consumer concern over this was reflected in a number of strikes, including dock workers, firemen and police at Shannon Airport, builders' supply workers, and bank employees. The strike of builders' supply employees seriously affected public and private building construction during the spring and accelerated the decline in housing construction.

## Economic Indicators

The output of electricity in the Republic continues to increase, the monthly average for 1954 standing at 117·2 million kwh., compared with 103·8 in 1953 and 94·5 in 1952. The average for the first quarter of 1955 was 148·2, compared with 130·9 million kwh. for the same period in 1954.

The government-owned railway and road transport system had a deficit of £1 million, almost 50 per cent down from the previous year. Fourteen new diesel train sets were put into operation and proved instrumental in raising passenger revenue.

The number of persons on the live register of unemployed declined during the past twelve months but this improvement must be viewed in the light of the strong emigration movement to Great Britain, the United States and Canada. Retail business continued to be active, stimulated greatly by the rapid extension of instalment buying schemes and good prices for farm produce. The banks in the Republic did not raise their interest rate as did those in the United Kingdom.

## Industrial Policy and Problems

The past two decades have witnessed the implementation of an industrialization policy with the object of providing employment and checking emigration from the state and migration from the Irish-speaking areas in the west of the country, and attaining a large measure of self-sufficiency in manufactured goods. This policy has been pursued by using the familiar devices of tariffs, import quotas, import and export prohibitions and subsidies, and by direct government enterprise.

Despite these efforts, a relatively few industries can be said to be on a sound, long-term economic basis. The exceptions are those associated with agricultural and mineral resources or those in which the availability of electric power and low-cost labour are important. A large proportion of the firms are small and produce a limited range of products or a single article for the restricted market in the Republic, or to fill a temporary demand abroad. There appears to be a growing realization that this type of development is not filling the needs of a state which has a primarily agricultural economy. It is too early to say what form the necessary readjustment in industrial policy will take but one of the more hopeful signs is the increased attention being given to modern processes and equipment, to more efficient management, and to technical skills.

## Industrial Production

Industrial production continued to increase slowly during the first three quarters of 1954, but declined slightly in the last. The greatest activity took place in engineering and implements, vehicle assembly, construction and repair, bricks, cement, glass and pottery, mines and quarries and in the miscellaneous group which includes animal feeds and rubber goods. The improvement in these industries seems to be associated with the tillage drive on the farms which led to drainage schemes and a higher degree of mechanization, with the rise in livestock production, the road-building and building construction program, and the jump in automobile assembly operations. Production of sugar confectionery and preserves, etc., dropped sharply because of a decline in the demand from Great Britain. The trend towards the use of synthetic materials for shoe soles resulted in a fall in sole leather production. In general, such data as are available indicate that while a large number of new industries and extensions began making products new to Irish industry, these were largely offset by declines and even a number of shutdowns in other lines.

## Effect of Wheat Subsidy

The increased subsidy for wheat put into effect by the Fianna Fail Government resulted in a 37·4 per cent increase in the area seeded to that crop. However, evidently much of this was at the expense of other crops because the net increase in the acreage of grain crops amounted to only 6·2 per cent. Weather conditions were chiefly responsible for a sharp lowering of yields per acre from all field crops. Wheat was the only grain crop with an increased yield, but the moisture content and general quality were not satisfactory. Data collected in January 1955 showed little change in the cattle and sheep population, but there were declines in pigs and poultry because of falling demand from Great Britain. The provisional agricultural prices index for 1954 was down three points from the 1953 level of 316. In comparison with the 1946 index of 196, agricultural prices were high, particularly since the retail price level of both animal feedingstuffs and fertilizers declined quite sharply.

## Trade Picture

During the calendar year 1954, the value of exports rose to £115 million and that of imports fell to £180 million, resulting in a trade deficit of £65 million—£4 million below the 1953 figure. A comparison of the figures for the fiscal years ended in March 1954 and 1955 does not give quite so favourable a picture—the decline in the adverse balance amounted to only a little over a million pounds sterling because imports went up. The first quarter of 1955 produced a 14·7 per cent increase in import value and a 12·3 per cent increase in export value over the same months of 1954.

In 1954, 55·7 per cent of the Republic's imports came from the United Kingdom, 9 per cent from the dollar area, and 17 per cent from non-sterling EPU countries. Exports to the United Kingdom dropped slightly from 1953 but still made up 88·6 per cent of the total; those to the dollar area accounted for 2·4 per cent and to non-sterling EPU, 5 per cent. The drop in imports from the dollar area totalled £8·5 million, almost treble the overall decline from 1953; the biggest savings in import expenditures were on wheat and butter. Imports of aircraft, agricultural machinery, auto assemblies and lumber increased. The value of exports of cattle and meat rose sharply, but chocolate crumb and confectionery, poultry and eggs fell off from 1953. Other items in the import-export lists showed little change.

## Trade with Canada

Comparing the calendar year 1954 with 1953, imports from Canada fell to £3·9 million from £5·7 million; exports to Canada rose to £584 thousand from £364 thousand. The principal imports were wheat, lumber, newsprint, automobiles, hides, leather and agricultural seeds. The range of exports widened—the main commodities were frozen meat, chocolate crumb and confectionery, stout, wool and woollen fabrics, floor coverings, cordage, boots and shoes, and horses.

Towards the end of 1954 the exchange regulations were liberalized. As a result of this and a renewal of wheat buying, imports from Canada during the first quarter of 1955 were about three times those of the same period in 1954. This increase in total value was accompanied by a significant widening in the range of commodities, despite the high customs rates and a number of import quotas and other commodity controls. Price competition in industrial raw and semi-fabricated materials and consumer goods is stiff.●

# Italy

■ *Significant steps taken towards liberalization of trade with dollar area.*

■ *Rising industrial production boosts demand for raw materials.*

■ *Bumper '53 wheat crop curtailed wheat purchases from Canada.*

W. R. VAN, *Assistant Commercial Secretary, Rome.*

FOR CANADIAN EXPORTERS, the most significant development in Italian business during the past twelve months was a further relaxation of restrictions on trade with the dollar area. Last August the Italian Government published a list of commodities that no longer required import licences when purchased from dollar sources. Many of the 136 liberalized items figure largely in Canada's trade with Italy—synthetic rubber, certain chemicals and pharmaceuticals, and timber products, for example. Fur skins too were included in the list and this promises well for Canadian fur sales in this market. In liberalizing trade, the emphasis is on raw and semi-fabricated materials; consumer goods remain under control.

About the time that this liberalization was made public, another step was taken which affected imports in a different way. An import tax was imposed which ranged from 1 to 4 per cent of the value of many goods imported from all sources. The reason given for this tax is to compensate for taxes paid on similar Italian goods at earlier stages of production. Consequently, imports of fully manufactured goods generally pay higher rates of tax than those which have undergone less processing.

### Balance of Payments

These liberalization measures in themselves prove that 1954 saw nearly all sections of the Italian economy progress. The balance of payments, both with the dollar area and with countries in the European Payments Union, improved—and the deficit in each case was smaller than in 1953, thanks to larger receipts from shipping and the tourist trade and to remittances from Italians abroad. The gold and dollar reserves reached their highest point since 1952.

The following table illustrates the trend over the past three years:

BALANCES WITH CURRENCY AREAS

*(millions of dollars)*

| | *1954* | *1953* | *1952* |
|---|---|---|---|
| EPU | −576·0 | −638·4 | −408·3 |
| Dollar | −215·8 | −266·4 | −475·0 |
| Other | + 26·8 | − 8·6 | − 65·8 |
| Total | −765·0 | −913·4 | −949·1 |

*The Dollar Area*—The improved balance with the dollar area resulted mainly from the almost complete suspension of wheat imports during the year. With the possible renewal of wheat imports in 1955, the deficit may again increase, unless Italy can step up exports to the dollar area or earn dollars in other ways.

*The European Payments Union*—The smaller deficit with the European Payments Union countries—with which Italy carries on about two-thirds of her total trade—stemmed from increased exports to both Switzerland and Germany. During the year, Italy benefited from the fact that France liberalized its trade somewhat and Germany increased its quotas for Italian agricultural products. Imports of French ferrous scrap and iron and steel products and of German ferrous scrap and chemicals increased.

The Italian deficit with the EPU area reflected the almost complete liberalization of trade on Italy's part and the retention by other EPU countries of restrictions on goods which Italy sells to them.

### Industry Has Good Year

One of the factors in the Italian trade situation was the continued rise in industrial production, which pushed up the demand for industrial raw materials which Italy lacks. In 1954, in fact, all types of industry (except gas production) recorded advances of 0·9 to 24, based on the production index of 100 for the year 1938. Official statistics put the rise in output over 1953 at 9·6 per cent. The chemical and rubber industries were in the lead, with an increase of more than 20 per cent, followed by the wood industry (18·6 per cent) and the metallurgical industry (14·1 per cent). Steel production, at over four million tons, set a record and automobile output reached 216,700 units.

### Agricultural Production Down

Agriculture in general found 1954 a disappointing year. Inclement weather brought overall crop yield down 10 per cent from the 1953 peak. (It should be remembered, however, that 1953 was an abnormally good year.) Most significant was the 20·6 per cent drop in the wheat crop.

*Typical of the advances being made in Italian agriculture are these farmhouses, built on irrigated land on the Gulf of Taranto. To increase yields, Italian farmers are turning to mechanization, to greater use of fertilizers, and to other technical advances.*

WHEAT PRODUCTION
*(thousands of tons)*

| | |
|---|---|
| 1936-39 (average) | 7,581 |
| 1952 | 7,870 |
| 1953 | 9,041 |
| 1954 | 7,184 |

Despite the bad year, the use of newer methods is continuing, with the hope of increased yields. Consumption of fertilizers and anti-parasitic sprays and powders continues to grow and tractor sales are expanding rapidly. It is estimated that there are nearly 150 thousand tractors now in use, half of which are of Italian make. The livestock industry is progressing. A slight increase in the wholesale prices of farm products softened the impact on farmers of lower yields.

### Exports Up, Imports Down

The figures on Italian trade for 1954 give a fairly encouraging picture. The value of exports increased 8 per cent—from $1,507 million in 1953 to $1,636 million in 1954. Imports showed a slight decline of ·8 per cent, falling in value from $2,420·3 million in 1953 to $2,401 million in 1954.

The fall in imports in 1954 was principally the result of the record wheat crop in 1953. Wheat purchases from abroad, according to Italian statistics, fell roughly 80 per cent—from 1,233,000 tons in 1953 to 250 thousand tons in 1954. It is expected, however, that because 1954 brought a less-than-average crop, imports will again rise.

The increase in the value of exports is accounted for mainly by an estimated rise in the index of prices received for Italian exports during 1954 of approximately 3 per cent over the previous year. The index for import prices fell slightly.

### Trade with Canada

Canadian exports to Italy declined from Can.$33·1 million in 1953 to Can.$23·8 million in 1954, mainly because of smaller wheat sales. Imports from Italy in 1954 rose slightly to Can.$15 million in 1954 against Can.$14·3 million during the previous year. Thus the trade balance continues to be heavily in Canada's favour. Exports of canned salmon (mainly chum), bleached sulphate pulp, aluminum in primary forms, fine nickel, asbestos milled fibres and asbestos waste increased substantially.

Italian imports into Canada continued to follow traditional lines and consisted of a large variety of goods with relatively low individual values, including agricultural and textile products, other manufactured goods and handicrafts. Exports of oil-well casings doubled compared with the previous year. Sales of metal-working machinery and aluminum holloware also increased.

### Outlook for 1955

In conformity with the Italian policy of liberalization of imports from the dollar area, Canada should be able to obtain a larger share of the Italian market for raw materials and semi-manufactured goods. As Italy progresses towards convertibility, she should look more and more to the dollar area for goods, if they are offered at competitive prices.●

# The Netherlands

- *Foreign trade expanded by over 15 per cent in 1954, compared with 1953.*
- *Easing of import restrictions last year boosted demand for foreign goods.*
- *Canadian sales to the Netherlands in first quarter of '55 up 45 per cent.*

C. J. SMALL, *Acting Agricultural Secretary, The Hague.*

A GLANCE AT 1954 STATISTICS reveals that the past year brought greater prosperity to the Netherlands. Production and productivity rose, unemployment declined, gold and foreign exchange reserves climbed to a postwar record of 4,650 million guilders, and the gross national product advanced a further 4½ per cent. Mounting imports were largely paralleled by growing exports. Domestic capital investment was satisfactory and approximated the Government's target.

The budget for 1955 reflects this favourable picture; the estimated deficit of 568 million guilders is some 20 per cent lower than in the previous year. An official memorandum published with the Budget points out that the financial policy of the Government is no longer dominated by lack of foreign currency and the need for special war and flood recovery measures. Because of this, the Government has promised overall tax cuts averaging 10 per cent in 1956, including reduction in personal, corporation and purchase taxes totalling over 500 million guilders.

## Production and Income

In a country once predominantly agricultural, industry today employs 41 per cent of the working population and accounts for approximately 45 per cent of the national income and 59 per cent of total exports. Labour productivity, which was only 66 per cent of the 1938 level in 1946, had by mid-1954 risen to 110 per cent. Industrial production also rose; on the basis of 1938=100, average daily production in 1954 advanced to 177 from 163 the previous year. The textile, petrochemical, metal and metal products industries contributed most to this gain. As a result of increased individual productivity and overall production, real national income per capita has risen during 1952, 1953 and 1954 by 3, 9 and 5 per cent respectively.

## Long-Term Policy

The Government's attitude towards the present boom is cautious. Such prosperity may not continue indefinitely, because it is based largely on a greater demand for exports, resulting from favourable conditions abroad. Official opinion is that, under the influence of a spectacular rise in exports and in domestic consumption, the production ceiling has been reached at the current level of productivity. It is further believed that the present exceptional volume of exports may not be permanent and that it would be difficult to maintain the rapid 1954 rate of growth in production, home consumption and exports. Consequently, the argument goes, current prosperity should not unduly colour long-term thinking.

The Netherlands Government's declared economic policy is therefore founded on two primary objectives: the removal of all unnecessary obstacles to economic activity, both national and international, and the stimulation of economic expansion. At home this means increased industrialization, expansion of power supplies, legislative curbing of excesses in business competition, removal of existing brakes on production, and vigilance against depression and rising costs and prices. Abroad, trade liberalization and the development of new markets will be stressed. The Netherlands Government will give full support to further co-operation within OEEC and expansion of trade by the Benelux countries in the OEEC area, to efforts to conclude a formal Benelux Economic Union Treaty, and to any plans to strengthen GATT. New Dutch proposals for European integration, the cherished aim of the Netherlands Government, have been accepted by the other Benelux partners and will be presented at discussions on the whole integration problem. Where necessary, exports will be stimulated by export credits insurance. There will be a fresh emphasis on international support for economic and technical assistance programs in under-developed countries.

## Foreign Trade Expands

Netherlands' foreign trade expanded by more than 15 per cent in 1954 and reached nearly 20,000 million guilders, despite a slight decline in both export and import prices. Largely because of the easing of import restrictions last year, imports were responsible for the greater share of the increase. For the same reason, the trade deficit jumped over 800 million guilders to 1,650 million and the coverage of imports by exports fell from 91 per cent in 1953 to 85 per cent in 1954. Nevertheless, this relationship is substantially better than in the immediate prewar years when it never exceeded 75 per cent.

Imports, at 10,650 million guilders in 1954, were 21 per cent higher in value and 25 per cent greater in volume than a year earlier. Commodities figuring most largely in the increase were grains, fats and oils, coffee, machinery and fuels. The rise in exports, though less spectacular, was substantial at 12 per cent in value and 17 per cent in volume. Industrial exports rose 25 per cent during the past year and agricultural exports 10 per cent. Crude oil, chemicals, metals, paper products and vegetable oils were largely responsible for the increase.

Holland's major markets in 1954 were: West Germany, which accounted for 15·8 per cent of the total; Belgium-Luxembourg, 14·1 per cent; United Kingdom, 11·9 per cent; United States, 6·7 per cent; Sweden, 4·6 per cent; France, 4·1 per cent; Indonesia, 2·5 per cent, others, 40·3 per cent. Principal sources of Dutch imports in the same period were: Belgium-Luxembourg, 17 per cent; West Germany, 16·7 per cent; United States, 11·6 per cent; United Kingdom, 8·9 per cent; Indonesia, 4·8 per cent; France, 3·7 per cent; Sweden, 3·5 per cent, others, 34·6 per cent.

*A Dutch housewife prepares cheese in her own dairy—though most of the Netherlands' cheese sold abroad comes from large, hygienic factories. Agricultural exports rose in 1954.*

### Trade with Canada

Canada's exports to the Netherlands in 1954 had a total value of 148,540,000 guilders, a decrease of 35,991,000 guilders from the 1953 figures of 184,-531,000 guilders. Canadian imports from the Netherlands were valued at 51,126,000 guilders, compared with 54,998,000 guilders the previous year, a decrease of 3,772,000 guilders. Sales of Canadian wheat, barley and rye were down by 55,739,000 guilders for the year, but sales of fish products (mainly frozen and canned salmon), tobacco, hides and skins, aluminum and other metals to the Netherlands increased. The liberalization of dollar imports no doubt was the chief factor in the increased sales. The drop in Canadian imports was largely the result of the falling-off in purchases from the Netherlands of cocoa butter, fabrics and wearing apparel, yarns and tin. The most notable increase in Canadian imports from the Netherlands was in machines and apparatus, up 3,667,000 guilders from 1953.

Canada's exports to the Netherlands in the first quarter of this year are approximately 45 per cent above the corresponding period in 1954 and if wheat and other grain exports recover, the year-end total may well reach a record high.

Canadian products in which Netherlands importers have shown particular interest recently are lumber, wood pulp, chemicals and metals. Canadian exporters of these products not yet represented in the Netherlands would be well advised to get in touch with the Commercial Secretary at the Canadian Embassy in The Hague.

### Balance of Payments Favourable

Since 1951 the Netherlands balance of payments has been favourable. In 1954, the country had a surplus on current account of approximately 500 million guilders, considerably lower than in the two previous years. Including capital transactions, the overall surplus came to about 700 million guilders. The gold and foreign exchange reserves have reached a satisfactory level; they now amount to five times the reserves at mid-1951. The current account with the dollar area in 1954 showed a deficit of 500 million guilders. It is traditional for the Netherlands, in common with many other countries, to have a trade deficit with the United States and with other dollar countries.

### Position with EPU

In contrast to the Netherlands deficit with the dollar area, the country generally has a trade surplus with

EPU countries. These surpluses are settled through the existing EPU machinery which at present provides for 50 per cent of the surplus to be settled in gold and dollars. For this reason, a surplus with EPU countries does not entirely finance an agricultural deficit with the dollar area.

Because of this traditional imbalance in trade with individual currency areas, the Netherlands would profit from a situation which would make the overall settlement of surpluses and deficits between all countries easier. For this reason, the Dutch are strong advocates of currency convertibility in West Europe.

Recent wage increases, buoyant export demand and promised tax cuts this year should help economic activity in the Netherlands to continue at a high level throughout 1955. Productivity will probably rise further, offsetting inflationary pressures to a large extent. The gross national product should continue to increase but at a lower rate—now estimated at about 3 per cent compared with 4½ per cent in 1954. An increase of 4 per cent in domestic consumption is expected in 1955 and inventories which were run down in 1954 will probably be rebuilt, raising the demand for imports of both raw materials and finished goods. As a consequence, the 1954 surplus on the balance of payments of 700 million guilders is expected to be halved this year.

Despite mounting production costs, Dutch goods in general should remain competitive on world markets. Investment in industry and agriculture will probably increase; dollar discrimination will be virtually non-existent in 1955.

The year 1956 may well bring some changes because of declining defence expenditures, the end of flood repair expenditures, and stiffer competition in export markets. Declines in the rates of increase of domestic consumption, exports and productivity appear to be a safe assumption at this distance, but proposed tax concessions may take up some of the slack and keep the Netherlands economy at a high level.

# Norway

- ***Industrial production reached new high and demand was brisk.***
- ***Balance of payments deficit increased, making special loans necessary.***
- ***Purchases of Canadian goods increased in value by $6·5 million.***

E. RUDIE, *Office of the Commercial Counsellor, Oslo.*

NORWAY has never had higher production nor fuller employment than in 1954. Nevertheless this heightened activity increased the pressure on certain branches of the economy during the year. The deficit on the balance of payments was even higher than in 1953—an estimated Norwegian kroner 1,100 million compared with a little less than N.kr.1,000 million in the previous year. Industrial production was 6·3 per cent greater than in 1953, chiefly because industrial capacity increased considerably, particularly in the chemical, metal and wood-processing fields.

To strengthen the foreign exchange reserves, the Government borrowed N.kr.247 million abroad and also attempted, through a more restrictive monetary and credit policy, to limit the local demand for imported goods. This step was directed mainly at certain types of machinery and transportation material, imports of which have run extremely high during recent years. To this end, customs duties ranging from 10 to 20 per cent ad valorem were imposed on machinery not made in Norway, previously duty-free.

Norway continued to carry on about 75 per cent of her foreign trade with countries affiliated with the European Payments Union. Previously she had liberalized 75 per cent of her imports from these countries and only minor adjustments were made in this free list during the year; these did not change appreciably the percentage of liberalization. Norway's debt to the European Payments Union increased by N.kr.170 million in 1954, although she repaid during the year N.kr.110 million on her consolidated debt to the Union. Import licences are still required for all goods from the dollar area. Licences for "essential" producers' goods are now granted relatively freely. Norway receives no further direct aid from the United States but offshore procurement orders during the fiscal year ended June 30, 1954, totalled $4·9 million.

The growth in domestic production came in response to increases in both domestic and foreign demand for Norwegian goods and services. Foreign demand reflected the general expansion of economic activity in Western Europe and the generally good market for all industrial products enabled Norwegian industries to use their expanded and modernized plants to the utmost. Prices for export goods have remained stable during the year and the scope of local price control activities was narrowed. Price regulations now affect only special commodities which are still subsidized or special cases of shortages or monopoly.

The deficit on the balance of payments in 1953 influenced Norway's trade policy towards foreign countries during 1954. Because it was already apparent at the turn of the year that imports would be high, the Government aimed at reducing them in certain fields. In spite of the measures taken, the deficit on the balance of payments continued to rise during 1954. The rise of more than 40 per cent in the import value of ships affected the balance of payments in 1954. The major part of the deficit was covered by loans obtained in Sweden and from the International Bank for Reconstruction and Development. Funds were also obtained by raising loans on new ships, by drawing on the credit quota with the European Payments Union, and by drawing on the country's foreign exchange reserves. The deficit on the balance of payments in 1955 has been provisionally estimated at N.kr.550 million. But if incoming and outgoing interest payments are considered, the figure is expected to reach about N.kr.620 million. It is intended to cover this deficit partly by raising loans on new ships contracted for abroad, and partly by getting long-term loans in foreign countries.

## Foreign Trade

Earnings from commodity exports, exclusive of ships, went up by about 14 per cent—from N.kr.3,466 million in 1953 to N.kr.3,958 million in 1954. This increase reflected larger shipments because export prices remained approximately the same as in 1953. Close to 60 per cent of the increase in export value was derived from the record output of the herring fisheries. The rise in exports of pulp and paper also contributed a large share. Exports to nearly all important Norwegian markets went up, with the exception of the United States. Exports to that country declined by 20 per cent. The sharpest increases were in exports to the Soviet Union and certain other countries in Eastern Europe.

The volume of commodity imports, exclusive of ships, increased by 12 per cent but as prices on an average were considerably lower than in 1953, the *value* of imports rose by only 6·8 per cent—from N.kr.5,629 million to N.kr.6,013 million. The total import surplus (commodities only) thus declined from N.kr.2,163 million in 1953 to N.kr.2,055 million in 1954. Imports from nearly all European countries except the United Kingdom rose, and particularly from West Germany. Imports from the United States were also somewhat higher than in 1953.

## Trade with Canada

Norway's imports from Canada increased in value from \$37·3 million to \$43·8 million; exports to Canada dropped from \$2·3 million to \$2 million. The largest increases in imports came in nickel, drugs and chemicals, and fine copper. The decline in exports mainly resulted from smaller purchases of canned crabs, clams and shrimps, castings of steel, and platinum, palladium and iridium. The following tables show the most important imports from and exports to Canada in 1954, with comparative 1953 figures (DBS statistics).

PURCHASES FROM CANADA
*(in dollars)*

| | *1954* | *1953* |
|---|---|---|
| TOTAL | $43,812,904 | $37,277,920 |
| Nickel in matte or speiss | 21,666,109 | 18,001,280 |
| Wheat | 7,438,929 | 8,238,619 |
| Fine copper in ore | 5,695,326 | 4,893,966 |
| Drugs and chemicals, n.o.p. | 4,670,662 | 2,009,332 |
| Flax seed, n.o.p. | 917,798 | 516,408 |
| Aircraft | 667,701 | ....... |
| Zinc in ore | 584,662 | 180,930 |
| Ores, n.o.p. | 531,627 | 961,159 |

SALES TO CANADA
*(in dollars)*

| | *1954* | *1953* |
|---|---|---|
| TOTAL | $ 1,983,093 | $ 2,289,341 |
| Canned anchovies and sardines | 810,717 | 786,332 |
| Castings of steel, n.o.p. | 99,152 | 150,092 |
| Salted herrings | 71,775 | 75,697 |
| Platinum, palladium, iridium | 63,992 | 113,413 |
| Cod liver oil | 57,026 | 62,170 |
| Sportsmen's fishing tackle, n.o.p. | 55,523 | 42,634 |
| Canned crabs, clams, shrimps | 53,577 | 125,445 |
| Canned kippered herrings | 49,955 | 51,411 |
| Commercial fish hooks | 40,166 | 39,204 |

## Shipping and Fisheries

The Norwegian merchant fleet increased by half a million gross tons in 1954 and totalled by the end of the year slightly over seven million gross tons—about 2,346 ships. About 80 per cent of the increase was in tankers. The fleet is expected to go up by another half million gross tons in 1955. At the beginning of 1954, the laid-up tonnage totalled only 86,000 gross tons, of which about 60 per cent was tankers. This figure rose to about 298 thousand gross tons by the beginning of August as a result of the low freight rates during the first half of the year, particularly for dry cargo vessels. Freight rates picked up considerably during the last quarter of 1954, however, and by the end of the year nearly all idle ships were again in operation. The net freight earnings of the merchant fleet in 1953 totalled approximately N.kr.1,722 million, and preliminary estimates put the 1954 earnings at

*(continued on page 26)*

*At the flower market in Brussels' Grand'Place, a Belgian model wears Bianca Gusmaroli's pale blue wool fleece suit. The Belgian girls thoroughly enjoyed modelling the 45 creations presented at the Canadian fur and fashion show, which was opened by His Excellency, Charles P. Herbert, Canadian Ambassador to Belgium.*

# *Furs and Fashions for Europe*

MILAN, PARIS, BRUSSELS—these three great European cities have seen and warmly applauded furs and fashions from Canada during the past three months. Canadian furs have been shown before in Europe, but the couturier-designed clothes were making their debut. They made their first appearance as a background for the fur coats, capes and stoles in the all-fur Canadian exhibit at the Milan International Trade Fair in April. From Milan, the furs and fashions were taken to the Canadian stand at the Paris International Trade Fair, May 14-30.

Two award-winning fur garments, fresh from a triumphant appearance at the annual preview of fur fashions in Toronto, were flown by Trans-Canada Air Lines to Paris to join the Canadian collection at the Fair. The award winners—a full-length Canadian wild mink coat and a Royal Canadian Onyx fox boa designed and made by Canadians—were met at Orly airport by two famous Parisian mannequins who modelled them beside the aircraft for press and TV cameras.

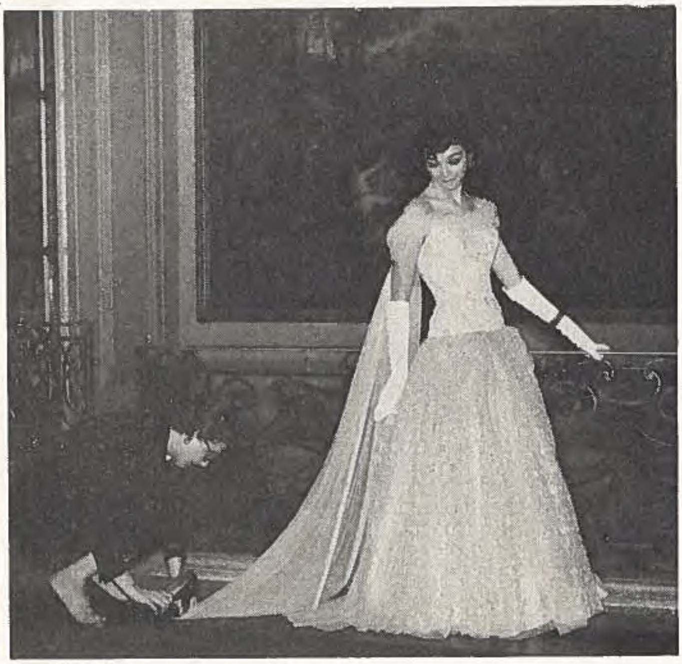
Next stop on the European itinerary was Brussels, where a full-fledged Canadian fashion show was organized. Sponsored by the Canadian Government, the fashion show was held on June 6 and 7 in the Hotel Metropole for audiences which included buyers, members of the diplomatic corps, and the press. Mrs. Lissa Taylor, fashion promotion director of Duplan of Canada, Limited, co-ordinated and presented the show which was "successful beyond expectations".

For this first Canadian fashion show in Europe, 31 additional coats, suits and day and evening dresses were flown to Brussels. The clothes were all designed by members of the Association of Canadian Couturiers and were made from Canadian materials. The furs were collected through the co-operation of the Canada Mink Breeders, the Canadian National Silver Fox Breeders' Association, the Canadian Council of Fur Manufacturers, Henry Morgan & Company, Limited, Holt, Renfrew & Company, Limited, A. Hollander & Son, Limited, and the Hudson's Bay Company. The award-winning mink coat was designed by "Algonquin" and the fox boa by "Reynard".

*The award-winning fox boa and mink coat are modelled at the Paris International Trade Fair by French mannequins Framboise (left) and Franky. These furs were featured at the Canadian fur and fashion show in Brussels; also acclaimed by the audience was an evening cloak of white Arctic fox.*


*At Orly airport, TCA hostesses transfer their valuable cargo to two Parisian models. The Royal Canadian Onyx fox boa and Canadian wild mink coat were flown to France to be shown on the Canadian stand at the Paris International Trade Fair. In charge of the fur display was W. M. Ritchie, chief, Fur Grading and Inspection Service, Dept. of Agriculture.*

*Mrs. Lissa Taylor, co-ordinator of the Canadian fur and fashion show in Brussels, uses the tool nearest at hand to tack down the scarf of one of the evening dresses in the collection. She was posing the model for press photographers on the stairway of the Canadian Embassy. The dress, of gold-embroidered nylon chiffon, was by Raoul-Jean Foure.*



*Before the Canadian fur and fashion show in Brussels, Belgian models toured the city in a motor cavalcade to be photographed wearing the Canadian creations at points of interest. This girl, posed in front of the Patria statue in la Place des Martyrs, is wearing a dress of viscose and acetate flannel designed by Louis Berai.*

*On their tour of Brussels, the models were accompanied by a van fitted out as a dressing room which carried signs reading, "Canadian Fashion Safari" and "Presentation de la Mode Canadienne". This girl is wearing a black wool sheath coat, with full-length pique gilet, designed by Frederica of Toronto.*

*(continued from page 23)*
N.kr.1,750 million. With the present firm freight market, the outlook for shipping is favourable.

In 1954 the Norwegian fish landings set an all-time record. This great increase was due to the record herring harvest, the total catch of winter herring reaching nearly 1·1 million metric tons. The cod catch, on the other hand, was disappointing—only 85,000 metric tons, the poorest in over 30 years.

### Agriculture and Forestry

Despite unfavourable weather conditions, agriculture had a relatively good year, with an estimated total production of 2,124 million feed units (slightly above normal), compared with 2,200 million feed units in 1953. The production of grain increased slightly; potato and root crops declined. An increase in the guaranteed price for wheat should bring a rise in 1955 to some 50,000 metric tons.

The 6 per cent overall rise in industrial production was the result of a jump of approximately 13 per cent in the export industries and 4 per cent in the domestic industries. The most notable increases took place in wood and fish processing and electro-chemicals.

### Outlook for 1955

Despite this high production which is expected to continue and probably increase in 1955, the deficit on the balance of payments prompted the Government to introduce a number of measures to improve Norway's general economic position. These measures, which came into force on February 2 of this year, include the levying of a temporary tax of 10 per cent on shipbuilding contracts, a temporary import tax of 10 per cent on motor vehicles and tractors, and the application of the general purchase tax to building and construction work. In addition, the Bank of Norway raised the official interest rate on the same date from 2·5 to 3·5 per cent and the other banks immediately followed suit. As a result of these measures and the prospects in world markets, the 1955 economic outlook for the country seems relatively bright.

# Portugal

- *Six-year development plan revised and additional $30 million authorized for it.*
- *Restrictions still hamper trade with dollar area, despite growing foreign exchange reserves.*
- *Prospects good for larger purchases of Canadian wheat, codfish and other products.*

L. M. COSGRAVE, *Commercial Counsellor, Lisbon.*

PORTUGAL during 1954 made progress with her development plans and maintained her strong financial position; the economy continued to be a stable one. The overseas provinces of Angola and Mozambique also reported a good year.

The country's reserves and holdings of gold and foreign currencies remained strong. Official reports show an increase of 8 per cent in bank deposits, even though rates of interest did not go up. Bank credits are reported to be expanding and the stock market is buoyant. Of particular interest is the fact that private investors are participating more in public offerings.

Throughout the past year, retail prices have remained steady and wholesale prices have dropped by about 5 per cent.

Recently a bill was approved which provided for the revision of Portugal's six-year plan and for a net increase in expenditure of 1,242,653 contos* (about $30 million Canadian). Most of this money will be spent on agriculture, industry (especially hydro-electric installations), communications and transport.

Among the major projects authorized or already in progress are the electrification of the government railways, the establishment of a steel industry, erection of a hydro power plant on the upper Douro River in northern Portugal, a newsprint industry designed to supply Portugal's needs and already in production, fertilizer plants, a preliminary survey of the Tagus River looking towards a bridge or tunnel at Lisbon, and the Lisbon subway system.

* One conto=1,000 escudos or approximately $35.00 Canadian.

*Sardine fishing boats come into Lisbon Harbour with their catch, which will go to canning factories. Canned sardines and anchovies have long been a traditional Portuguese export, though the dollar area bought somewhat less in 1954 than in the previous year.*

German, French, Italian and Swiss engineering groups are extremely active in all tender contracts and in many cases have under-cut offers from traditional British suppliers.

### Agricultural Picture Bright

With the exception of a serious drop in olive oil production (about one-third of the 1953 crop), practically all sectors of agriculture did well and the wheat crop was a bumper one of some 706 thousand tons. Below are comparative figures on some of the major Portuguese crops.

| | | | *1954* | *1953* |
|---|---|---|---|---|
| Wheat | (tons '000) | Production | 707 | 658 |
| | | Imports | 103 | 114 |
| Maize | (hectolitres '000) | Production | 5,505 | 4,994 |
| | (tons '000) | Imports | 55 | 39 |
| Rice | (tons '000) | Production | 142 | 129 |
| Potatoes | (tons '000) | Production | 1,001 | 1,076 |
| | | Imports | 26 | 36 |
| Olive oil | (hectolitres '000) | Production | 445 | 1,330 |
| | tons | Exports | 6,198 | 4,096 |
| Wine | (hectolitres '000) | Production | 1,101 | 1,174 |
| | (tons '000) | Exports | 1,315 | 1,063 |

According to the National Institute of Statistics, agriculture still contributes 28 per cent of the gross national product.

Drought in the latter part of 1954 and the extremely heavy rains in the early part of 1955 have affected the immediate outlook for wheat and government authorities appear to expect a drop of 30 per cent over 1954. This would make necessary imports of approximately 160 thousand tons which, with the carry-over of 90,000 tons, will meet Portugal's needs.

Maize, rice, olives and olive oil production, however, are reported to be satisfactory and the outlook for 1955 is definitely better than for 1954.

### Industrial Progress Continues

*Chemical Factories*

The annual reports of the two producers of sulphate of ammonia show an output in 1954 of 58,000 tons compared with 34,000 tons in 1953, though the shortage of electrical power still prevents full production. However, with new installations now under way, 1955 should see a marked improvement. In addition, Portuguese technicians, following satisfactory experiments in West Germany on the gasification of low-grade Portuguese coal as an alternative basis for hydrogen production, have recommended early installation of the necessary equipment.

*Paper Production*

Sales of Portuguese wood pulp from January 1954 to April of this year amounted to 40,000 tons (practically all to the United Kingdom). She also exported some bleached pulp and 4,600 tons of kraft paper. Of chief interest, however, is the production of newsprint, already in use in some local newspapers, at a price slightly higher than Canadian and Scandinavian. Production is expected to reach 12,000 tons in 1955. The newsprint is made from Scandinavian pulp, supplied from the United Kingdom in exchange for Portuguese kraft. It is expected, however, that foreign newsprint will continue in demand for the fast modern machines requiring greater tensile strength.

Other important industrial activities include better than normal progress in such traditional Portuguese commodities as resinous products, cork manufactures, textiles, petroleum refining and hydro-electric production.

The Bank of Portugal, in its annual report for 1954, shows an overall balance of payments for the escudo area of 1,380,000,000 escudos compared with 2,084,-000,000 escudos in 1953. This is regarded as satisfactory, bearing in mind increased expenditures both in Portugal and overseas for the Six Year Plan and for defence.

## External Trade

Metropolitan Portugal's 1953 favourable trade balance with the dollar area was reduced in 1954 and the overseas provinces' trading surplus showed a similar reduction. The trading deficit of Metropolitan Portugal with the European Payments Union area was slightly smaller and that of the overseas provinces was reduced from the 1953 figure. However, with other areas, she was able to double her surplus of 1953.

Measures were taken recently to assist colonial exporters. They include first, suspension of the tax and surtax on exports of sisal from Angola and Mozambique; and second, continuation this year of exemption of goods previously exempted, up to a certain value, from the compulsory freezing of 30 per cent of the value of exports to the EPU area. (However, the value of coffee exports so exempted is raised from 50 to 60 per cent of 1951 exports, and of wool (other than coarse) from 70 to 90 per cent.) Third, under new trade arrangements, the minimum tariff is extended to imports into Spain from the overseas provinces.

The following countries increased their 1954 sales to Portugal over 1953: Germany (iron and steel, sulphate of ammonia, cars and industrial machinery); France and the Netherlands (iron, steel and other metals); Mozambique and Angola (cotton, sugar, sisal); Iraq (crude oil, supplanting Latin America and Saudi Arabia); South Africa and Australia (wool). The United States, the United Kingdom, Belgium-Luxembourg, Brazil and India, on the other hand, sold Portugal less than in 1953. The relative position of leading countries by percentages of values was as follows:

| | *Percentages by value of Portuguese Imports* | | | |
|---|---|---|---|---|
| | *1938* | *1952* | *1953* | *1954* |
| Portuguese Overseas Provinces | 10·2 | 15·2 | 15·7 | 17·0 |
| United Kingdom | 17·1 | 15·9 | 15·3 | 15·0 |
| West Germany | 16·8* | 7·3 | 10·9 | 13·9 |
| United States | 2·1 | 13·6 | 9·8 | 8·3 |
| Belgium-Luxembourg | 6·8 | 10·6 | 11·0 | 7·3 |

* Whole Reich.

Leading imports of interest to Canada were as follows: (in thousands of contos) iron and steel (771), industrial machinery (360), wheat (262), sulphate of ammonia (208), machine parts (166), iron and steel manufactures (164), copper (123), medicaments (110), tobacco (109), motors—not electric (108), and railway rolling stock (104).

Of the major Portuguese products, substantially more cotton textiles were shipped abroad, particularly to the overseas provinces. Cork sales showed an increase of some 14 per cent in value, wood pulp sales (chiefly to the United Kingdom and French overseas territories) increased, and the trade in canned fish (particularly sardines and anchovies) improved. Wine exports to the sterling area, Western Europe and Latin America rose. The decrease in sales to the dollar area was chiefly noted in wolfram, tin, canned fish and manufactured cork.

## Trade with Canada

Canada's trade with Portugal is still seriously hampered by the prevailing restrictions on dollars, despite the country's substantial and growing reserves and reduction of pressure to buy in the EPU area.

Purchases of French and Czechoslovakian wheat in exchange for Portuguese port wine and pork products, plus a record wheat crop, hampered sales of Canadian wheat despite millers' preference. The expected sales of dry salted cod did not materialize until April of this year.

Undoubtedly there is abundant goodwill towards Canadian products, and numerous inquiries have been received for a wide range of products. However, licence restrictions on goods from the dollar area are still extremely rigid. Figures for 1954 show Canadian exports to Portugal totalling 70,534 contos (i.e. Can. $2,419,000) compared with Portuguese exports to Canada of 59,138 contos (Can.$2,028,000)—a slight balance in favour of Canada.

In some ways the outlook for Canadian trade with Portugal is more favourable in 1955 than in 1954. Portuguese requirements of wheat from abroad are estimated at approximately 160 thousand tons and Portuguese millers strongly favour our No. 3 Manitoba for blending. Purchases of Newfoundland cod, it is estimated, will be effected in the early autumn (approximately 3,000 tons). Newsprint sales are improving despite the new mill and shipments to date to leading Portuguese papers have been highly commended, replacing traditional Scandinavian supplies. Antibiotics are moving more freely, because of satisfactory switch arrangements.

Finally, as a result of more frequent visits by prominent businessmen to and from Canada, and Portugal's increasing participation in the Canadian International Trade Fair, there is a growing awareness throughout Portugal of Canadian products and Canadian ability to compete. In general, the future outlook for Canadian-Portuguese trade is hopeful, with prospects of expansion. ●

# Spain

- *U.S. aid, largely in form of essential raw materials, has stimulated business.*
- *Industrial expansion continuing, with steel, cement, coal, and energy showing gains.*
- *Bumper crop in prospect for 1955, thanks to exceptional rainfall.*

BRUCE I. RANKIN, *Commercial Secretary, Madrid.*

UNDER THE STIMULUS of United States aid, the last twelve months have been relatively prosperous ones for Spain. The aid which has so far reached the country has been largely in the form of essential raw materials, permitting Spanish industry to operate closer to capacity and more economically. Although the value of such aid should not be minimized, the outstanding effect of American assistance so far has been the confidence it has given the Spanish people, encouraging local industrialists to move forward with their own expansion programs. New bond and share issues totalling Pts.21,000,000,000 were made during 1954; approximately half were issues of government and other public bonds and the remainder private securities.

The rise in industrial output in recent months has also resulted in part from generally favourable climatic conditions. The record rainfall from October 1954 until April 1955 not only improved the agricultural picture—it also filled up rapidly the reservoirs of the hydroelectric system and helped in ending power rationing to industrial and domestic users alike.

For the third year, the Government budget showed a surplus. The increased income did not come from increased taxation, but from the improved economic position of the country and more efficient tax collection.

### U.S. Aid Programs

The whole of the US$85 million voted as economic aid had been allocated by the end of 1954 and about $30 million worth of goods under this program had been received. Canada was nominated as a possible source of supply for about half the total but participated only to the extent of approximately $500 thousand, mainly spent for essential metals.

The economic aid is primarily designed to bolster industries needed in defence. The first $85 million has been employed for improvements in transport, rail and road; for steel, cement, and coal production; power production; in agriculture, and for essential raw materials.

The military program of air and naval base construction and the pipeline from Cadiz to Zaragoza have been slow in starting. Tenders for two of the air bases and for some of the basic supplies, such as the pipe for the pipeline, were awarded before the end of 1954. Canadian sources of supply for material required in base construction programs can be considered by the American prime contractor, provided that Canadian producers have certified representatives in Spain and catalogues and specifications are lodged with the prime contractor.

The aid for this year was recently announced as $30 million, presumably to be divided among the same defence-supporting industries, and $55 million of specially allocated agricultural surpluses, plus $21 million under U.S. Public Law 480 made up of cotton, cotton seed oil, tobacco and maize.

### Industrial Output Rising

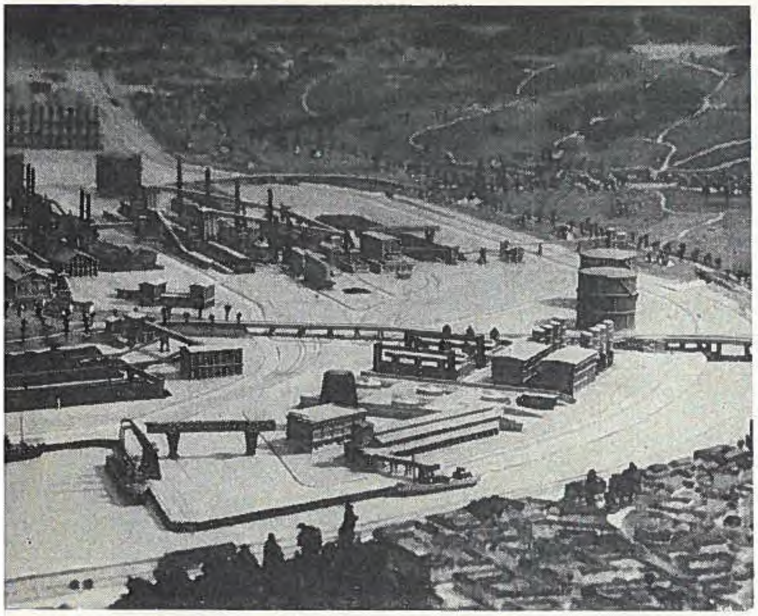
The expansion and modernization of the iron and steel industry made 1954 a record year with 200 thousand more tons of steel turned out than in the previous year—80,000 tons more than the record of 1929. The new steel mill at Avilés is under construction and so are extensions and modernizations for private producers.

For 1954 the following production figures have been announced:

| | | *Increase over 1953* |
|---|---|---|
| Iron (ingot) | 822,000 tons | 9 per cent |
| Steel (ingots) | 1,103,000 " | 23 " " |

Coal production increased by 200 thousand tons to 10,450,000 tons, but this was complemented by the use of fuel oil by some industries and the railways and by railway electrification. However, the increase in steel production, cement, thermic energy, etc., still demands greater coal output and improvements in methods. In 1954 it was necessary to import one million tons of coal.

During the year 355 thousand kilowatts of new production units were brought into service and approximately



*Among the main projects under construction in Spain is a steel mill at Aviles being built by the Empresa Nacional Siderurgica. The picture shows an architect's model of the new plant.*

500 miles of new electric lines added. Poor rainfall during most of 1954 affected electricity output but it achieved a 5·3 per cent increase over 1953. Several new thermic units to add 700 thousand kilowatts are still under construction or planned. The figures for 1954 were:

| | *K.W. Hours* | *Increase over 1953* |
|---|---|---|
| Thermic | 2,700,000 | 17·5 per cent |
| Hydro-electric | 7,780,000 | 1·6 " " |
| Total | 10,480,000 | 5·3 " " |

Other sectors of the economy showed similar increases. Cement production rose nearly 20 per cent in 1954 over 1953 to bring about near-equilibrium between production and demand; potassium production rose 12·5 per cent, pyrites 6 per cent, wolfram 7 per cent, lead 17 per cent, tin 12·5 per cent, zinc 2 per cent, aluminum 25 per cent. Iron ore and copper showed slight decreases. Nitrogenous fertilizers, superphosphates, and many other industrial chemicals recorded gains, but the textile industry remains depressed.

The assembly and partial manufacture of automobiles and trucks was begun during the year and output totalled 6,500 units. Approximately 37,500 motor cycles were made, a 16 per cent increase over the previous year. Similarly, the partial construction and assembly of steam and diesel electric locomotives and of box cars showed considerable activity as part of the large-scale modernization plans for the national railways.

These achievements, however, must be viewed in context. Many problems still beset Spanish industry in its recovery from the low level to which it sank as a result of the Civil War and World War II. The flow of essential raw materials from overseas is handicapped by the scarcity of foreign exchange and the continuing domestic shortage of electricity, the condition of transport facilities, etc. Furthermore, legislation restricting the participation of foreign capital in Spanish industry retards industrial growth.

### Agricultural Production

Despite heavy losses in export crops because of adverse weather during the first eight months of 1954, the agricultural year was, on balance, satisfactory. Citrus fruits were damaged by frost early in 1954 but as the crop was appreciably larger before the frost than that of the previous year, the results were not so grave as growers feared. The olive crop was much more seriously affected and Spain is importing cotton seed oil under the United States aid program in order to maintain her olive oil exports. Grain crops and particularly wheat, however, were exceptionally good in 1954. The wheat harvests returned 4·5 million metric tons—approximately 15 per cent more than annual requirements. This yield, coupled with heavy imports the previous year, indicates supplies will be sufficient for 1955 even if the current crop is poor.

The prospects for Spain's agricultural output in 1955—both grains and cash crops—are excellent. The rainfall from October 1954 until April 1955 was the best in living memory. The importance of rain to Spain can hardly be over-emphasized, not only because three-quarters of Spain's electricity is hydro-electric and therefore depends on rain to fill the reservoirs, but also because 60 per cent of its exports consist of agricultural produce. In the long run Spain's agriculture will also benefit from the various schemes to extend irrigation, re-afforestation, better methods of seed selection, improved fertilizer use and land re-distribution.

### Foreign Trade Problems

A complete review of Spain's external trade was published in the April 2, 1955, issue of *Foreign Trade*. Spain's exchange position is still extremely acute. Dollar licences are only issued for essential items not otherwise available. The greater part of the country's foreign trade is covered by bilateral trade and payments agreements and this limits Canadian opportunities.

During 1954 Spain had a favourable balance of trade with Canada of approximately $2 million which, coupled with United States aid programs and sizable earnings from the tourist trade, eased the exchange problem to some extent.

The prospect of bumper crops, the continuation of some American aid and the large-scale industrialization project will, it is hoped, continue to improve Spain's overall economic condition. It is not unreasonable to hope that within the next year or two existing trade restrictions will be eased to some degree. ●

# Sweden

- *Foreign trade deficit of 980 million kronor nearly twice as large as in 1954.*
- *Dollar imports liberalized last October; Swedish market now a competitive one.*
- *Purchases of Canadian canned salmon and lobster, drugs and chemicals rose in 1954.*

L. A. CAMPEAU, *Commercial Secretary, Stockholm.*

BUSINESS IN SWEDEN expanded noticeably in 1954. Increased domestic demand did, however, put some strain on Swedish resources and, despite favourable export conditions, there was some drain on the foreign exchange reserves. Consumption, it is estimated, increased by 4 per cent and the demand for automobiles and other durable goods was particularly heavy. This heavier demand was met partly through increased production and partly through larger imports. Notwithstanding an average wage increase of about 5 per cent, both wholesale prices and the cost of living remained practically unchanged.

### Conditions in Industry

Sweden's 1954 industrial production was about 7 per cent higher than in the preceding year, with capital goods accounting for most of the increase, Most industries found marketing conditions improved, though some saw their sales decline.

The output of iron ore over the year 1954 is estimated to have dropped by 9 per cent. In spite of the considerable expansion of capacity, production of Swedish steel works was only slightly higher than in 1953.

In the timber industry, demand was satisfactory throughout most of 1954 and the trade was less hampered by restrictions in foreign markets. Thus, in spite of intensified international competition, exports of timber reached a high point. Wallboard production also achieved a record and the pulp industry reported good marketing conditions and rising production. The paper market reflected boom conditions, with a lively demand from the majority of buyers.

As in the past, prices in the textile and clothing trades were subject to considerable pressure, mainly because of stiff international competition. The recovery in engineering products that set in towards the close of 1953 continued in 1954, which saw a gradual increase in demand both at home and abroad.

The shipbuilding industry too experienced rising production and a high and steady employment. Sweden now ranks third among the world's shipbuilders. Building activities expanded considerably, not only because of public building contracts but also private and industrial investment.

Total investments exceeded the 1953 figures by 9 per cent. As in the past year, Sweden showed a high rate of investment, accompanied by a continued rise in personal consumption.

### Agricultural Picture Varied

In recent years, and especially since the war, Swedish agriculture has become highly mechanized and steps have been taken to remedy its chief weakness—the small size of the average farm. Swedish agriculture is developing along new lines and for some of the more important farm products, such as grain, the prices offered to the Swedish farmers have for several years been much below the world market price. Enough food is now produced to supply the domestic market, although in some foodstuffs there is still a deficit.

In 1954, agricultural production about equalled that of 1953 although the harvest, which in the early summer promised well, subsequently was reduced because of rainy weather.

The bread grain crop totalled 1,338,000 tons, or 4 per cent more than in 1953, and exports of bread grains rose substantially. At the same time, however, food imports increased. On the other hand, the potato crop was about 17 per cent smaller than in 1953. The yield of fodder roots declined by 25 per cent and the sugar beet crop proved to be somewhat smaller than in 1953. Production of meat and bacon increased 6 per cent and cheese production 2 per cent. Output of milk and butter, however, was 3 and 5 per cent lower. Egg production went down 2 per cent.

On the whole, the trend of agricultural prices was fairly steady. As in previous years, prices were largely controlled by agreement between the Government and representatives of agriculture. However, from September 1st the price control on a number of important products, such as bread grain, was somewhat relaxed.

Sweden's foreign trade in 1954 had a deficit almost twice as large as in 1953—980 million kronor compared with 504 million. The deficit with the dollar area and the EPU countries, excluding the sterling group, was larger than in the previous year. Trade with non-dollar South American countries improved, mainly because of greater exports to Argentina.

### Imports and Exports Increase

Swedish imports increased from 8,161 to 9,198 million kronor; exports increased only from 7,657 to 8,218 million kronor. Greater trade with EPU countries accounted almost entirely for the overall rise.

Trade with the sterling area was about 10 per cent higher in value than in 1953, in both imports and exports. Britain retained her position as Sweden's leading customer, taking nearly 19 per cent (or 1,525 million kronor worth) of Sweden's total exports during that year. Next in order came West Germany, Norway, Denmark, the Netherlands, France, the United States, Belgium, Brazil and Italy.

Imports from West Germany increased from 1,492 to 1,867 million kronor and that country was the major supplier, the source of over 20 per cent of Sweden's total imports. The other leading suppliers in 1954, in order of importance, were Britain, the United States, the Netherlands, Belgium, France, Norway, Denmark, Brazil and Italy.

Imports from the dollar area rose by 88 million kronor over 1953. The rise resulted only to a minor degree from the liberalization of dollar imports, which was not introduced until the beginning of October. Exports to dollar countries dropped from 777 million kronor in 1953 to about 644 million in 1954—a fall of 17 per cent. Swedish trade with the dollar countries was thus in deficit by about 368 million kronor, compared with 147 million in 1953.

The following table shows Sweden's foreign trade with the various areas in 1954 as compared with 1953.

DISTRIBUTION OF SWEDEN'S FOREIGN TRADE

*(in million kronor)*

| Area | Imports 1953 | Imports 1954 | Exports 1953 | Exports 1954 | Surplus of Imports (−) Exports (+) 1953 | Surplus of Imports (−) Exports (+) 1954 |
|---|---|---|---|---|---|---|
| Sterling countries | 1,833 | 2,001 | 1,895 | 2,058 | + 62 | + 57 |
| Other EPU countries | 4,263 | 4,982 | 3,734 | 4,262 | −529 | −720 |
| Dollar countries | 924 | 1,012 | 777 | 644 | −147 | −368 |
| Rest of South America | 471 | 459 | 385 | 431 | − 86 | − 28 |
| Eastern Europe | 309 | 364 | 345 | 345 | + 36 | − 19 |
| Other countries | 361 | 380 | 521 | 478 | +160 | + 98 |
| Total | 8,161 | 9,198 | 7,657 | 8,218 | −504 | −980 |

The balance of trade with Canada for the year 1954 was in Sweden's favour—an export surplus of 27·4 million kronor compared with 24·2 million in 1953.

*(in million kronor)*

| | 1953 | 1954 |
|---|---|---|
| Swedish exports to Canada | 48·3 | 46·9 |
| " imports from Canada | 24·1 | 19·5 |
| " export surplus | 24·2 | 27·4 |

### Trade with Canada

During the past few years Canadian exports to Sweden have declined considerably. The reduction occurred chiefly in non-ferrous metals, which are now more readily available from soft currency countries.

The liberalization of dollar imports which was introduced in October 1954 did not affect Swedish imports from Canada in 1954 to any degree and at the end of the year it was too early to judge the quantitative results. It is interesting, however, to observe that in the last three months of 1954 Swedish imports from Canada showed an increase of 2 million kronor over the same period in 1953. This increase, however, was largely due to imports of high-class rye, needed to mix with Swedish rye, the quality of which was inferior because of extensive rain damage.

On the other hand, certain Canadian commodities have been showing strength, especially since the dollar relaxation—such as canned salmon and canned lobster which have retained their popularity and are in great demand. Imports of Canadian drugs and chemicals also rose during the last part of 1954.

### The Foreign Exchange Situation

The deficit in the trade balance has been reflected in the foreign exchange situation. Sweden's gold and foreign exchange reserves went down by 111 million kronor. The Riksbank's actual holdings—exclusive of the gold and dollars received through the EPU—increased during the year by 613 million to 1,760 million kronor. This is interesting in view of the fact that Sweden's trade with the dollar area showed a far heavier deficit in 1954 than in 1953. It is partly explained by the higher dollar earnings from shipping and by dollar revenues derived from various capital transactions.

### Outlook

With the return of prosperity to Western Europe and because of the dollar liberalization, Sweden is now a competitive market, and Canadian exporters must be ready to compete with Western European and with United States products.

It is estimated that the 1955 gross national product will show about the same increase as in 1954. Private investments will probably experience only about half of last year's increase. Private consumption is expected to decline and expansion in the public sector will be curtailed. Agricultural policy aimed at self-sufficiency is to remain basically unchanged. Both exports and imports of goods and services are expected to rise but at a lower rate than the gross national product in 1955. The urgent problem of inflation was still being closely examined by the Swedish authorities in 1954 and they will no doubt maintain the same watchfulness in 1955.

# Switzerland

- ***National income reached new high in '54, up one billion Swiss francs from 1953.***
- ***Tariff revision planned, with increase in rates, to take effect in 1957.***
- ***Canadian sales to Swiss down slightly in 1954 because of drop in grain exports.***

W. VAN VLIET, *Commercial Secretary, Berne.*

SWITZERLAND has entered 1955 with its domestic economy flourishing. The year 1954 saw national income reach a new high of 21·9 billion Swiss francs compared with 20·9 the year previous. This was accompanied by greater employment, plus slightly higher wages, production, trade, and returns on investment. Switzerland continues to be one of Europe's freest markets for Canadian goods.

An inflationary trend during 1954 was reflected in small wholesale and retail price increases but the first quarter of 1955 brought stabilization and minor declines. The employment index rose from 125 at the beginning of 1954 to 132 at the end of the year; demands for labour made necessary increased allocations for foreign workers, principally from Italy and Austria. Construction, particularly housing, achieved a record 1954 level and shows indications of continuing at this rate during 1955.

The capital market remains extremely fluid, even though the past year witnessed a fractional improvement in the very low interest rates. Domestic investment was maintained and foreign loans increased substantially.

Legislative changes included a reduction in the luxury tax on various goods effective the beginning of 1955; Canadian furskins exporters should be among those benefiting.

A comprehensive Agricultural Law came into effect, consolidating previous legislation and continuing to provide a large measure of protection, both through subsidies and through restrictions on imports of many agricultural products.

An unofficial estimate gives the Swiss balance of payments during the last two years as shown in the table below; this balance remains strongly in Switzerland's favour even though smaller than in 1953. The balance on trading account reverted to its traditional deficit. The year also brought sustained earnings from tourists and greater returns on investment, insurance and other invisibles.

| | *1953* | *1954* |
|---|---|---|
| | *(in million Swiss francs)* | |
| Exports f.o.b. | 5,165 | 5,272 |
| Imports c.i.f. | −5,071 | −5,592 |
| BALANCE OF TRADE | + 94 | − 320 |
| Tourism | + 460 | + 460 |
| Investment returns | + 410 | + 500 |
| Insurance | + 85 | + 95 |
| Other services | + 391 | + 390 |
| BALANCE OF SERVICES | +1,346 | +1,445 |
| BALANCE OF ACCOUNTS | +1,440 | +1,125 |

## The Financial Situation

A comparison of estimated private capital transactions abroad shows a large decrease during 1954 in foreign dollar holdings in Switzerland and in bank credits, reflecting more settled conditions in the home countries of the depositors. On the other hand, Switzerland, in its role of international banker, displayed confidence in the international situation by increasing substantially both its loans to foreign countries and its investments in industrial and other activity.

Switzerland is an active advocate of the continuation of the European Payments Union in one form or another, as an incentive towards convertibility and necessary until this step is taken. The country has been a persistent creditor in EPU and, with near exhaustion of the fixed credit limits, was faced with the prospect of curtailing its exports or extending further credits. It chose to negotiate repayment of outstanding balances on a bilateral basis, concluding agreements during 1954 with the United Kingdom, France, Italy, Denmark, Norway and Ireland, for a total of 477 million Swiss francs, of which 128 million was paid in cash.

Switzerland has liberalized about 92 per cent of its trade with OEEC countries. It is to be noted that those goods which Switzerland has liberalized within the OEEC are automatically free from import restrictions in every form from all countries.

### Tariff Revision Coming

The Swiss customs tariff dates from 1921 and few adjustments have been made in the ensuing 34 years. Traditionally Switzerland is among the low tariff countries and the average incidence of this tariff is about 8 per cent. A government-industry committee now has its recommendations for modification practically completed. These still require governmental study after which they will be submitted to parliament, probably towards the end of 1956. A new act is not likely to become operative until the beginning of 1957.

It appears to be the intention to increase rates by 50 per cent as a general rule, bringing average incidence to about 12 per cent. Increases will by no means be equalized automatically; many of the items are bound under bilateral agreements requiring concessions to be re-negotiated and, in any case, Switzerland's dependence on world commerce means that it leans towards minimizing protection of domestic industry. Like the present tariff, the new one is expected to be on a weight basis. A structure including some 3,000 items is anticipated, a substantial cutting down of classification from the 1,200 currently in effect.

### Foreign Trade

In 1954, exports increased about 2 per cent above 1953 to Sfr.5,271 million; imports, at 5,591 million, were up about 10 per cent. The deficit on trading account is normal and is adequately balanced by returns on capital and other invisibles. The same relative situation held into the second quarter of 1955. Prices, both import and export, are now just slightly below the levels of a year ago.

The major export industries which continued to gain into 1955 are textiles, machinery and pharmaceuticals. Watches, after declining slightly during 1955, are now recovering but increases are much smaller than for the others mentioned. The future of the United States market for watches remains unknown in the face of the 50 per cent tariff increase and other restrictive measures which have an unsettling effect on sales development.

Imports in the first quarter of 1955 were up 15 per cent from the first quarter of '54. As in 1954, the agricultural sector remained virtually stable, reflecting high domestic production and the influence of controls; imports of raw materials and manufactured commodities were appreciably higher, indicating industrial expansion and developing consumer demand. During 1954, although imports from overseas countries increased somewhat, European sources improved their position as suppliers, particularly of manufactured goods. The first quarter of 1955 saw greater uniformity in regional increases, though Germany improved its position most.

### Trade with Canada

Swiss statistics show a decrease in exports to Canada during 1954 of 5 per cent—to 90·7 million Sfrs. from 95·1 million in 1953. In the main this was accounted for by watches, which constitute approximately 40 per cent of the total. The first quarter of 1955 again shows a slight reduction.

Canadian statistics place exports to Switzerland at $26·8 million in 1954, down from $29·8 million the year previous. Grain sales alone were down from $20·9 million to $16·7 million. In barley, this was due to price relationships which have now changed and Canada is likely to gain in importance as a supplier during 1955. The situation in wheat is explained by changes in stock position and timing of purchases and deliveries, rather than position as a supplier; over 80 per cent of Swiss wheat imports in recent years have come from Canada to this quality-conscious market.

Canadian exports other than grain increased from $8·9 million in 1953 to $10·1 million in 1954. In the main, this was accounted for by principal raw materials but a wide range of fully and semi-manufactured consumer goods also were sold in greater quantities. Automobile sales fell off considerably.

Switzerland, despite its relatively small population, ranks sixth among Canada's European customers and in commodities other than grain is even more important. Canada exports to it some 265 customs items—a more diversified trade than to most European countries and approximately equal in numbers to that with the Netherlands. Switzerland is a competitive market because its own industry produces much of good quality and design, but it is by and large not a restricted market and absorbs imports at one of the highest per capita rates in the world and on a non-discriminatory basis. Swiss importers and distributors readily agree to introducing products from alternative sources provided these offer quality at competitive prices. Canadian firms interested in the Swiss market but not yet established or doing less business than they wish would be well advised to look carefully into the matter of appropriate representation and development. ●

# West Germany

- *Exports rose during 1954 by 20 per cent over '53 and imports by 21 per cent.*
- *End of year saw some 90 per cent of OEEC imports liberalized; 65 per cent of dollar imports.*
- *Canadian exports to West Germany up $3 million in 1954; imports up $8 million.*

BRUCE A. MACDONALD, *Commercial Counsellor, Bonn.*

THE PAST TEN YEARS have witnessed a remarkable economic recovery in Germany—a recovery that can be measured and confirmed statistically. The ruin and near-despair of May 1945 have vanished. The final step in this recovery came on May 5, 1955, when the Federal Republic of Germany once again became a sovereign nation and a part of the Western European Union and of the North Atlantic Treaty Organization.

### Industrial Recovery Striking

One of the major features of the German economic recovery has been the rise in industrial production. The gross national product (at current prices) was 79 billion Deutsche marks in 1949. It rose to 134 billion DM in 1953, to 145 billion DM in 1954, and is now estimated to be running at a rate of 150 billion DM. The overall index of industrial production (1936=100), which stood at 45 in 1948, reached 199 in April of this year.

Although the Federal Republic is little more than half the size of 1937 Germany, it is possible that its overall industrial production now exceeds that of all Germany before the war. Accurate comparison is difficult, but the following figures covering actual production in a few key industries are indicative:

| | Monthly Average | | | 1955 Monthly Production | | |
|---|---|---|---|---|---|---|
| | *1936* | *1953* | *1954* | *Jan.* | *Feb.* | *March* |
| Hard coal (1,000 m.t.) | 9,747 | 10,373 | 10,670 | 10,616 | 10,549 | 12,034 |
| Crude steel (1,000 m.t.) | 1,236 | 1,285 | 1,453 | 1,627 | 1,630 | 1,875 |
| Hot rolled products (1,000 m.t.) | 822 | 850 | 956 | 1,082 | 1,084 | 1,230 |
| Electric power (1,000 kwh) | 2,007 | 5,042 | 5,656 | 6,410 | 5,861 | n.a. |
| Passenger motor cars (1,000) | 15 | 31 | 43 | 51 | 50 | 60 |

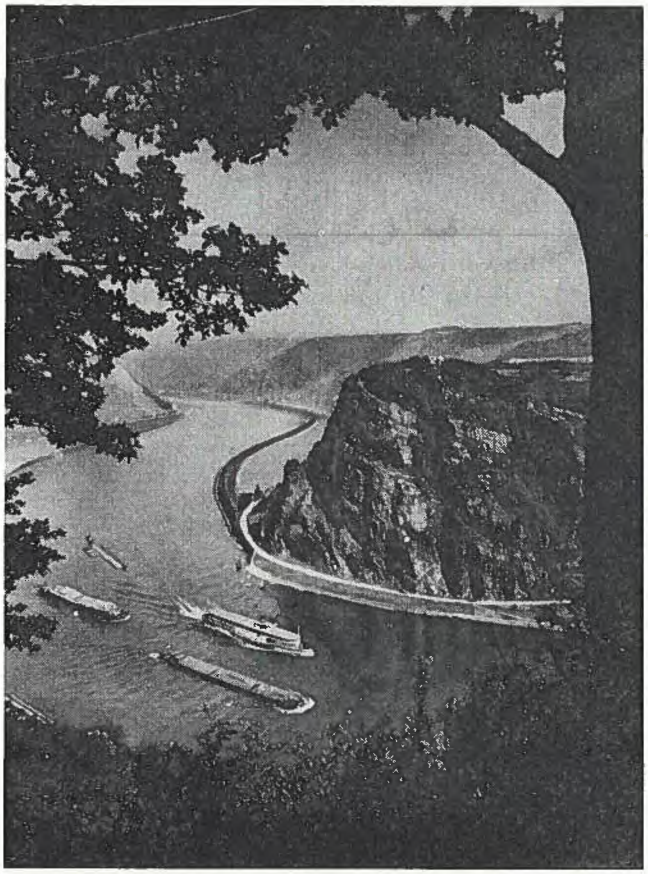
In considering the above figures it should be remembered that the coal and steel industries have suffered since the war from two severe handicaps—the enormous amounts of capital needed for their rehabilitation compared with other industries, plus their lack of attraction for private capital because of the special controls applying to them, and the appearance of atomic power on the horizon. For most other industries, equivalent data show much more striking progress. The actual production figures given above for coal and steel for March 1955 (the latest month for which data are available) represent index figures for 123 and 140 respectively. The production indices for March for some other important branches of production are as follows (in all cases 1936=100): crude oil 385; oil refining 365; rubber processing 236; flat glass 213; hollow glass 291; pulp and paper 154; machinery 237; electrical equipment 433; optical and precision instruments 246; ceramics 182.

Leather production and shoe output, with indices respectively of 82 and 113 in March and postwar highs of only 91 (in February 1951) and of 115 (in November 1954), showed the least progress of all important industries. The index for textiles stood at 154 in March.

### Progress in Foreign Trade

West Germany's 1954 progress in foreign trade was outstanding. Exports in terms of dollars rose by 20 per cent, from $4·4 billion in 1953 to nearly $5·3 billion in 1954. Imports rose in the same period by 21 per cent—from $3·8 to $4·6 billion. The overall favourable balance of trade amounted to $663 million compared with $612 million in 1953. This brought the total foreign exchange holdings by the end of 1954 to over 10 billion Deutsche marks, equivalent to more than $2·5 billion. Of this total, almost $2 billion was in gold and dollars.

The Federal Republic replaced Canada in 1954 as third among world traders, ranking immediately after


*Water transportation is still important in Germany and the authorities are encouraging greater use of the rivers and canals to relieve highway congestion. Here is a view of the Rhine showing barges and an excursion steamer.*

the United States and the United Kingdom in both exports and imports. This progress is continuing in the current year, as may be seen from the following figures:

*(In millions of dollars, monthly or monthly averages)*

| | 1954 | 1955 | | | | |
|---|---|---|---|---|---|---|
| | | Jan. | Feb. | March | April | Jan.-April |
| Total exports | 438 | 420 | 456 | 528 | 480 | 471 |
| Total imports | 383 | 403 | 433 | 465 | 475 | 444 |
| Total trade | 821 | 823 | 889 | 993 | 955 | 915 |
| Balance | + 55 | + 17 | + 23 | + 63 | + 5 | + 27 |

## Liberalization of Imports

The table above shows that while exports have continued to increase appreciably so far this year, imports have been expanding to an even greater degree. The average monthly exports for the first four months of 1955 exceeded the monthly average for the whole year 1954 by 7·5 per cent. The similar increase for imports is 16 per cent. Total imports for the four first months of 1955, however, represent an increase of 35 per cent over the same period in 1954.

This great expansion in imports is primarily the result of the Government's liberalization of imports not only from the OEEC countries but also to a limited extent from the dollar area, announced on February 17th, 1954, and November 9th, 1954. (See *Foreign Trade,* issues of March 6, 1954, and of November 27, 1954.) By the end of the year some 90 per cent of OEEC imports had been liberalized and about 65 per cent of those coming from the dollar area. This has resulted in increased imports, generated by high industrial activity and general prosperity.

A further extension of the free dollar list came into force on May 28. This third list includes various items of interest to Canada—for example, wood pulp, herring oil, rape seed and linseed oil, fresh and frozen eels and lobsters, and certain aluminum and copper semi-manufactures.

## Trade with Canada

The following table, based on DBS returns, shows the main outline of Canada's trade with West Germany in 1954 compared with the two preceding years.

| | (millions of dollars) | | |
|---|---|---|---|
| | 1952 | 1953 | 1954 |
| Total exports to West Germany | 95 | 84 | 87 |
| Total imports from West Germany | 21 | 33 | 41 |
| Total trade | 116 | 117 | 128 |
| Canadian surplus | + 74 | + 51 | + 46 |
| Exports of wheat | 40 | 39 | 44 |
| Exports of barley | 32 | 21 | 1 |
| Exports of wheat and barley | 72 | 60 | 45 |
| Exports other than wheat and barley | 23 | 24 | 42 |

These figures reveal the large part played by wheat, and on occasion by barley, in our exports to Germany. But it will be noted that exports of all other Canadian products have roughly doubled in the past two years, as have imports from West Germany.

The growth in mutual commercial importance in the two countries over the past three years has been striking. Germany now ranks fourth both as a market for Canadian goods and as a supplier of Canadian imports. She is exceeded in importance in Canada's foreign trade, apart from the United States and the United Kingdom, only by Japan in exports and by Venezuela (petroleum) in imports.

## Labour, Wages, and Prices

During 1954 there was a noticeable tendency among the workers and their trade unions to demand higher wages and a 40-hour week. For the first time since the war, a marked wave of strikes occurred. Coal miners have recently been granted a wage increase of between 9 and 10 per cent. The average hourly gross earnings in 1954 of manual workers in manufacturing and the building trades were DM1·67 as against

DM1·63 in 1953. Prices again showed a remarkable stability in 1954 and this has continued so far in 1955. Accordingly a gradual rise in real wages is taking place. The average work week was 49 hours in 1954. A definite shortage of skilled workers has developed and industrial leaders are apprehensive about the effects on labour supply of the projected new 500-thousand-man West German defence force.

### Developments in Transport

The West German merchant ship tonnage increased by nearly 500 thousand gross tons in 1954 and now stands at somewhat over two million g.t. compared with 4·3 million g.t. before the war. The declared aim is to bring it back to the prewar figure and there is little doubt that this aim will soon be realized. There is great interest in Germany in the St. Lawrence Seaway Project.

The federal railway lines are being progressively electrified and orders for 619 new locomotives have recently been placed, to cost DM330 million. Almost all are either electric or diesel.

With the continuous increase in passenger and truck traffic, highway congestion is a growing problem. A construction program which will eventually add 589 km. (one mile=1·6093 km.) to the existing Autobahn system began in May. A strong movement is under way to curtail long-distance trucking and to encourage the carriage of certain very heavy and bulky commodities by rail or water.

Civil aviation under German control recommenced on April 1st when the reconstituted Lufthansa began operations again for the first time since 1945. (See *Foreign Trade* for April 30, 1955.)

### Rearmament Expenses

Rearmament was much discussed throughout 1954. Competent German authorities predict that their country can take rearmament in its stride without causing inflation, weakening the Deutsche mark, hindering production for export, or prejudicing the standard of living in other ways. With a national product of nearly DM150 billion, it is felt that the proportion to be taken up by rearmament need not cause apprehension. The amount budgeted for the new defence force and its equipment in the first year is DM9 billion, only DM1·8 billion more than the DM7·2 billion in occupation costs which the country has been bearing each year.

Although no final decisions have been announced as yet, it is understood that while a Ministry of Defence will probably be created, all industrial procurement for it will be handled by the Ministry of Economics.

A more detailed review of Canadian-German trade will be published shortly in *Foreign Trade.* It will outline the main trend the trade has taken to date and will attempt to assess future prospects.

### Canadian-German Relations

The outlook for wider and increasingly fruitful co-operation between Canada and Germany seems bright. The trading, banking, and shipping connections which were broken as a result of the war have now been largely restored or replaced. Business and tourist travel between the two countries is growing significantly. The weekly TCA air service between Montreal and Duesseldorf has been of great value, as the CPA polar service, to start in June between Vancouver and Amsterdam, will be. Most German centres can be reached in a few hours from the Netherlands city.

By January over 250 thousand Germans had emigrated to Canada. A score or more German industrial firms have established branch plants or distributing organizations in Canada. Many others are known to be studying the possibility of doing so.

The growing economic relations between Canada and Germany were symbolized by the presence of Professor Doctor Erhard, German Minister of Economic Affairs and one of the principal architects of its amazing post war recovery, in Toronto on May 30th as the guest of the Canadian Government to open the Canadian International Trade Fair, and by the fact that Germany was among the largest exhibitors at the Fair.

## Press Releases from World Bank

*The International Bank for Reconstruction and Development had a booth which proved useful to a number of Canadian engineers at the recent Canadian International Trade Fair.*

*One of the points made was that any manufacturer or exporter may receive, upon application, copies of all press releases issued by the World Bank. These releases include immediate notification of any loan agreement made with foreign borrowers. Announcements about such agreements generally include information on the purpose of the loan, the type of project or capital equipment which will be provided, and the methods of tendering.*

*Interested exporters should write to the Office of Public Relations, International Bank for Reconstruction and Development, 1818 H. Street N.W., Washington 25, D.C., and ask to be placed on the mailing list for such releases.*

# *How EUROPEAN countries have liberalized imports*

*Member countries in the Organization for European Economic Co-operation have in the past few years liberalized imports from dollar and OEEC countries to varying degrees. Here is a check list of liberalization measures taken by the countries with which this special issue deals.*

F. P. WEISER
*International Trade Relations Branch*

| Country | Dollar Imports | OEEC Imports |
|---|---|---|
| **Austria** | Dollar import liberalization has not been implemented, except on passenger automobiles, but certain listed goods from all sources have not required import licences since December 1948. They remain, however, subject to the prior granting of foreign exchange by the Austrian National Bank. The list was expanded in August 1953, and includes fish oils, certain non-ferrous metals (excluding aluminum), zinc spelter, linseed oil, fresh lobsters, caustic soda, etc. | *Austria took its first step towards OEEC liberalization in July 1953, freeing 36 per cent of private OEEC imports based on the year 1952. Four further steps in rapid succession, the latest one on December 1, 1954, have brought the total to 82·4 per cent. The list does not include wheat or aluminum, but it includes wood pulp, lumber, various metals, asbestos, etc.* |
| **Belgium-Luxembourg** | A significant liberalization of dollar imports on May 26, 1954, has expanded the free list of dollar imports almost to the full extent of the OEEC free list. There remains a relatively short list of goods subject to import licensing requirements, regardless of their origin. It is understood that licences will be granted freely, and with a minimum of discrimination against imports from the dollar area, for most goods under licensing. Many, but not all, unrestricted dollar goods are also on common Benelux list permitting free circulation to the Netherlands. | *OEEC liberalization has been in force since October 1949. It amounts at present to 87·7 per cent of private OEEC imports based on the year 1948. It is possible that some imports remaining under import licensing requirements (see "dollar imports" column) may receive more favourable treatment if originating in OEEC countries than do similar dollar goods.* |
| **Denmark** | Effective February 23, 1955, Denmark liberalized a number of dollar imports, including synthetic rubber, lumber, wood pulp, synthetic resins, certain agricultural machinery, etc. Moreover, import licences are granted freely for some dollar goods which have not been liberalized, mainly industrial machinery. It is also understood that imports of non-liberalized dollar raw materials and semi-manufactures will be approved if the prices of competing non-dollar articles are from 8 to 10 per cent higher. | *OEEC liberalization has been in force since November 1949. Various additions to the list have raised the liberalization to 75·9 per cent of private OEEC imports based on the year 1948. Apart from commodities which have also been liberalized from dollar countries, the OEEC list also includes coarse grains, non-ferrous metals, asbestos, etc. It does not include wheat.* |
| **Finland** | All imports from dollar countries require import licences. Dollar imports are largely confined to essential goods not available from non-dollar sources. | *Finland is not a member of the OEEC and imports from European countries have not been liberalized. It is, however, understood that import licences will be issued freely for certain goods considered essential, provided payment is to be made in a specified European currency.* |

| Country | Dollar Imports | OEEC Imports |
|---|---|---|
| **France** | All imports from dollar countries require import licences. Imports are largely confined to essential goods not available from non-dollar sources. | *In February 1952 France suspended its liberalization of OEEC imports which had been in force since 1950. Liberalization was resumed in September 1953 amounting to 8 per cent of private OEEC imports based on the year 1948. The list has since been expanded at various times. It amounts at present to 75 per cent.* |
| **Germany (Federal Republic)** | In February and November 1954, and again on May 28, 1955, Western Germany liberalized extensive lists of dollar imports, including whisky, tobacco, newsprint, lumber, wood pulp, asbestos, base metal waste and scrap, cattle hides, herring oil, rape seed and linseed oil, various chemicals, farm machinery, various industrial machinery, etc. Wheat and other grains remain under control. | *Germany implemented OEEC liberalization in October 1949, but suspended it temporarily in February 1951 because of a large EPU deficit. Liberalization was resumed on January 1, 1952, (54 per cent of private OEEC imports into U.S. and U.K. zones based on year 1949). The list has since been expanded at various times and it now amounts to 92 per cent. It does not include wheat nor other cereals.* |
| **Greece** | Under a procedure in force since April 1953 and somewhat amended since, most dollar goods are admitted freely into Greece, subject only to the availability of foreign exchange and regardless of their essentiality. Restrictions apply only to wheat, flour and some machinery items produced in Greece in sufficient quantities. A few luxury goods enter under quotas. | *No special OEEC list is in force in Greece and the procedure for dollar imports (see appropriate column) also applies to OEEC countries. This procedure represents a liberalization of 97 per cent of OEEC imports based on the year 1948. An earlier list of liberalized OEEC imports, implemented in December 1949, was temporarily suspended in January 1951.* |
| **Ireland** | Since October 7, 1954, the Republic of Ireland permits certain goods to be purchased freely from dollar sources, including cereals, cereal products, animal feedingstuffs, animal and vegetable oils and fats, oil seeds, seeds for sowing, hides, skins and timber. Importers may purchase most other goods freely up to a value of £250 every three months. | *Ireland has liberalized 76·8 per cent of private OEEC imports based on the year 1948. The list does not include wheat, coarse grains, fish (fresh, frozen and preserved), automobiles, etc.* |
| **Italy** | Effective August 10, 1954, Italy liberalized a number of dollar imports in addition to certain others which had been freed by a series of steps taken since 1946. Imports of these dollar goods may only be made with 50 per cent of dollar export earnings (without a premium to exporters). The liberalized goods are largely industrial raw materials which form the bulk of Canadian exports to Italy, apart from wheat and coarse grains which remain subject to licensing requirements. The free list includes synthetic rubber, lumber, base metals and ores, crude asbestos, rags, etc. | *Italy's liberalization of OEEC imports amounts to 99·7 per cent of private imports from OEEC countries since November 1, 1951, (based on the year 1948). The few items remaining under control include wheat, flour, penicillin and motor vehicles. Italy originally introduced OEEC liberalization in September 1949, freeing 45 per cent of its 1948 OEEC imports.* |

| Country | Dollar Imports | OEEC Imports |
|---|---|---|
| **The Netherlands** | Effective June 1, 1954, the Netherlands implemented a common dollar import policy with Belgium and Luxembourg under which many listed dollar goods may enter any Benelux country freely and circulate within the Benelux territory. The list includes a large number of Canadian export products, including coarse grains, canned salmon, whisky, linseed oil, metal ores, synthetic rubber, lumber, pulp, newsprint, needles, base metals, asbestos, and many manufactured goods. The Benelux list is a considerable advance over the Netherlands dollar liberalization implemented in October 1953. Moreover, it is understood that import licences are being granted freely for most goods which are not on the free list. | *OEEC liberalization has been in force since October 1949. From the original level of 24 per cent of private imports based on the year 1948, various additions have been made to this list and it now amounts to 92·5 per cent of OEEC imports. It is somewhat more extensive than the Benelux dollar list.* |
| **Norway** | Dollar import liberalization has not been implemented and all imports from the dollar area are subject to import licensing requirements. Raw and semi-finished materials for industry, industrial equipment, machinery and the like (but not consumer goods) which are free-listed from OEEC countries are, as a general rule, allowed to be imported from the dollar area in those cases where importers can show advantages in price, quality or delivery. | *OEEC liberalization has been in force since November 1949. From the original level of about 50 per cent of private OEEC imports based on the year 1948, various additions have been made to this list and it now amounts to 75 per cent of OEEC imports. The list includes wheat, coarse grains, flour, tobacco, synthetic rubber, lumber, wood pulp, newsprint, base metals, agricultural and industrial machinery, radio receivers, and various other goods of interest to Canada.* |
| **Portugal** | All imports from dollar countries are subject to import licences. | *In January 1950, Portugal liberalized imports from OEEC countries to the extent of approximately 50 per cent of Portuguese imports from foreign countries. In 1951 the percentage of trade covered was first raised to 60 per cent and then to 75. (Spain was included in countries to which these relaxations applied.) In January 1952, Portugal suspended all quantitative restrictions on imports cleared before April 11, 1952, with a few exceptions. Since then such imports have remained liberalized to the extent of approximately 92·8 per cent of private OEEC imports in 1948.* |
| **Spain** | All imports from dollar countries require import licences. Dollar imports are largely confined to essential goods not available from non-dollar sources. | *Spain is not a member of the OEEC and imports from European countries have not been liberalized.* |
| **Sweden** | Effective October 1, 1954, Sweden liberalized many dollar imports. These include synthetic rubber, iron and steel bars, fire brick, gasoline engines, machinery and many consumer goods. Goods remaining under licence will be admitted more freely from the dollar area if they are also on the OEEC free list. Unworked base metals, crude asbestos and undressed furskins fall into this category. | *OEEC liberalization has been in force since January 1, 1950. Additions have been made to this list at various times. The liberalization now amounts to 92·7 per cent of private OEEC imports based on the year 1948. The list does not include wheat or coarse grains, flour, and automobiles. It includes lumber, synthetic rubber, base metals, etc.* |

| Country | Dollar Imports | OEEC Imports |
|---|---|---|
| **Switzerland** | Since January 1932, various listed imports have been subject to import licensing requirements. Licensing control applies to imports from all sources on a non-discriminatory basis. The list of imports under licence has been revised at various times and comprises now about one-quarter of the items in the Swiss Customs tariff. Licences for most commodities are granted relatively freely to established importers. Goods not on this list enter free from control. Many goods of interest to Canada enter freely, including base metals, hides and skins, wood pulp, newsprint, canned salmon, whisky, asbestos. Among goods under licensing requirements are wheat, coarse grains, flour, apples, lumber, automobiles. | *No special OEEC list is in force in Switzerland. The procedure quoted in the "dollar imports" column also applies to OEEC countries. This procedure represents a liberalization of 91·6 per cent of OEEC imports based on the year 1948.* |

# trade commissioners on tour

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

J. L. MUTTER, Commercial Counsellor in Oslo, Norway, began his Canadian tour in Vancouver, May 11-13. His itinerary is:

Ottawa—June 23-30
Hamilton—July 4
St. Catharines: Welland: Niagara Falls—July 5-6
Sarnia: Windsor—July 7-8

S. G. MacDONALD, Commercial Counsellor in Rome, Italy, began his Canadian tour in Ottawa on April 25th. His itinerary is:

Vancouver—June 23-24
Kemano: Kitimat—June 27-29
Vancouver—June 30-July 8
Victoria—July 11
Edmonton—July 14

V. L. CHAPIN, Commercial Secretary in The Hague, Netherlands, began his Canadian tour in Vancouver, June 6-8, and Victoria, June 9. His itinerary is:

Hamilton—June 27
Welland—June 28
St. Catharines—June 29
Toronto—June 30-July 8
Kingston: Brockville—July 11
Montreal—July 12-20
Halifax—July 22
Moncton: Charlottetown—July 25
Fredericton—July 27
Saint John—July 28

H. W. RICHARDSON, Commercial Secretary in Athens, Greece, began his Canadian tour in Windsor on June 1 and completes it in Ottawa, June 24-July 1.

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

*Board of Trade*—Charlottetown, Halifax, Montreal, Saint John.

*Chamber of Commerce*—Brockville, Hamilton, Kingston, Niagara Falls, Sarnia, St. Catharines, Welland, Windsor.

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

*Department of Trade and Commerce*—Ottawa, Vancouver (355 Burrard St.)

*Department of Industry and Development*—Fredericton.

*Department of Trade and Industry*—Victoria.

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

Conversions into Canadian dollar equivalents and units of foreign currency per Canadian dollar have been made at cross rates with sterling or the United States dollar on the date shown.

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

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

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

For conversion to United States dollar equivalent multiply by 1·01491.

# foreign exchange rates

| Country | Unit | Type of Exchange | Can. dollar equivalent June 9 | Units per Canadian dollar | Notes (See below) |
|---|---|---|---|---|---|
| Argentina | Peso | Preferential buying | ·1314 | 7·61 | |
| | | Basic buying | ·1971 | 5·07 | |
| | | Preferential selling | ·1971 | 5·07 | (1) |
| | | Basic selling | ·1314 | 7·61 | |
| | | Free | ·07092 | 14·10 | |
| Australia | Pound | | 2·2018 | ·454 | |
| Austria | Schilling | | ·03790 | 26·39 | |
| Belgium-Luxembourg | Franc | | ·01960 | 51·02 | |
| Belgian Congo | Franc | | ·01960 | 51·02 | |
| Bolivia | Boliviano | Official | ·00519 | 192·83 | |
| British West Indies | Dollar | | ·5734 | 1·74 | (3) |
| | Pound | | 2·7522 | ·363 | (4) |
| | Dollar | British Honduras | ·6880 | 1·45 | |
| Brazil | Cruzeiro | Effective selling | | | |
| | | Category I | ·01178* | 84·88* | tax 10% (2) |
| | | Category V | ·00330* | 303·49* | *May 24 |
| | | Official buying | ·5366 | 18·63 | (5) |
| Burma | Kyat | | ·2069 | 4·83 | |
| Ceylon | Rupee | | ·2064 | 4·84 | |
| Chile | Peso | Official | ·00493 | 202·96 | (1) |
| Colombia | Peso | | ·3941 | 2·54 | (6) |
| Costa Rica | Colon | Official | ·1755 | 5·70 | |
| | | Controlled free | ·1484 | 6·74 | |
| Cuba | Peso | | ·9853 | 1·015 | tax 2% (2) |
| Czechoslovakia | Koruna | | ·1368 | 7·31 | |
| Denmark | Krone | | ·1427 | 7·01 | |
| Dominican Republic | Peso | | ·9853 | 1·015 | |
| Ecuador | Sucre | Official | ·06569 | 15·22 | |
| | | Free | ·05695 | 17·55 | |
| Egypt | Pound | Official | 2·8294 | ·353 | (7) |
| Fiji | Pound | | 2·4794 | ·403 | |
| Finland | Markka | | ·00428 | 233·42 | |
| France | Franc | | ·00282 | 354·99 | (8) |
| French Africa | Franc | | ·00563 | 177·49 | (9) |
| French Pacific | Franc | | ·01549 | 64·56 | (10) |
| Germany | D Mark | | ·2339 | 4·28 | |
| Greece | Drachma | | ·03284 | 30·45 | |
| Guatemala | Quetzal | | ·9853 | 1·015 | |
| Haiti | Gourde | | ·1971 | 5·07 | |
| Honduras | Lempira | | ·4927 | 2·03 | |
| Hong Kong | Dollar | Free | ·1682 | 5·94 | *May 27 |
| Iceland | Krona | Official | ·06050 | 16·53 | |
| | | Special buying | ·04769 | 20·97 | |
| | | Special selling | ·03768 | 26·54 | (11) |
| India | Rupee | | ·2064 | 4·84 | |
| Indonesia | Rupiah | Basic | ·08643 | 11·57 | (12) |
| Iran | Rial | Certificate | ·01301 | 76·88 | |
| Iraq | Dinar | | 2·7589 | ·362 | |
| Ireland | Pound | | 2·7522 | ·363 | |
| Israel | Pound | | ·5474 | 1·83 | |
| Italy | Lira | | ·00158 | 632·51 | |

* Latest available quotation date.

| Country | Unit | Type of Exchange | Can. dollar equivalent June 9 | Units per Canadian dollar | Notes (See below) |
|---|---|---|---|---|---|
| Japan | Yen | | ·00274 | 365·36 | |
| Lebanon | Pound | Free | ·3050 | 3·28 | |
| Mexico | Peso | | ·07883 | 12·69 | |
| Netherlands | Guilder | | ·2585 | 3·87 | |
| Netherlands Antilles | Guilder | | ·5209 | 1·92 | |
| New Zealand | Pound | | 2·7522 | ·363 | |
| Nicaragua | Cordoba | Effective buying | ·1493 | 6·70 | |
| | | Official selling | ·1398 | 7·16 | |
| | | With Surcharge I | ·1224 | 8·17 | |
| | | With Surcharge II | ·09804 | 10·20 | |
| Norway | Krone | | ·1379 | 7·25 | |
| Pakistan | Rupee | | ·2978 | 3·36 | |
| Panama | Balboa | | ·9853 | 1·015 | |
| Paraguay | Guarani | Basic | ·04692 | 21·31 | (1) |
| | | With Surcharge I | ·03649 | 27·40 | |
| | | With Surcharge II | ·02737 | 36·54 | (13) |
| Peru | Sol | Certificate | ·05186 | 19·28 | |
| Philippines | Peso | | ·4927 | 2·03 | tax 17% (2) |
| Portugal | Escudo | | ·03439 | 29·08 | (14) |
| El Salvador | Colon | | ·3941 | 2·54 | |
| Singapore & Malaya | Straits dollar | | ·3211 | 3·11 | |
| South Africa (Union of) | Pound | | 2·7522 | ·363 | |
| Spain & Dependencies | Peseta | Basic buying | ·04499 | 22·23 | |
| | | Basic commercial selling | ·05999 | 16·67 | (1) |
| | | Free | ·02530 | 39·53 | |
| Sweden | Krona | | ·1905 | 5·25 | |
| Switzerland | Franc | | ·2299 | 4·35 | |
| Syria | Pound | Free | ·2755 | 3·63 | *May 16 |
| Thailand | Baht | Free | ·04585 | 21·81 | *April 22 (1) |
| Turkey | Lira | | ·3519 | 2·84 | |
| United Kingdom | Pound | | 2·7522 | ·363 | |
| United States | Dollar | | ·9853 | 1·015 | |
| Uruguay | Peso | Official | ·6487 | 1·54 | tax 6% (2) |
| | | Basic buying | ·5535 | 1·81 | (1) |
| | | Special buying | ·4193 | 2·39 | |
| | | Basic selling | ·5186 | 1·93 | |
| | | Special selling | ·4022 | 2·49 | |
| Venezuela | Bolivar | | ·2941 | 3·40 | |
| Yugoslavia | Dinar | | ·00328 | 304·51 | |

* Latest available quotation date.

# notes

1. Additional rates are in effect.
2. Tax affects selling (import) rates only; certain essential imports exempt.
3. Barbados, Trinidad, Tobago, Leeward and Windward Is., Br. Guiana.
4. Bahamas, Bermuda, Jamaica.
5. Brazil: Currency certificates auctioned for five import categories. Effective selling rate is official plus price of certificates. Exporters receive cruzeiros at official rate plus exchange premiums ranging from 18.70 to 31.70 cruzeiros per U.S. dollar depending on product.
6. Colombia: Stamp taxes of 3, 10, 30, 80 and 100 per cent on imports depending on essentiality.
7. Egypt: Egyptian exporters receiving payment in dollars are granted Entitlements authorizing purchase of exchange for dollar imports. Effective rate for imports into Egypt is official plus premium (average of 11·4 per cent in April) on Entitlements.
8. Includes Algeria, Tunisia, Morocco, Guiana, Guadeloupe, Martinique.
9. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
10. New Caledonia, New Hebrides, Oceania.
11. Iceland: Special rates apply to minor export products of small fishing boats and designated non-essential imports.
12. Indonesia: Basic rate applies to all exports and essential imports. Purchase of exchange for other imports is subject to exchange surcharges of 33⅓, 100 or 200 per cent depending on product.
13. Paraguay: Basic rate applies to most Paraguayan exports.
14. Portugal: Approximately same rate for Portuguese Territories in Africa.

# Results of Tariff Negotiations at Geneva

*AT THE MEETING of Contracting Parties to the General Agreement on Tariffs and Trade, held in Geneva recently, tariff negotiations were carried out under three headings.*

- *First, for the accession of Japan to the General Agreement on Tariffs and Trade.*
- *Second, to give effect to the desire of some other countries to renegotiate certain increases in tariff rates bound under the General Agreement.*
- *Third, to renegotiate increases in certain Canadian tariff rates which are bound to other countries under the Agreement.*

*On June 14, the Rt. Hon. C. D. Howe, Minister of Trade and Commerce, tabled in the House of Commons a document showing the concessions to be exchanged by Canada with Japan and the United States, and also setting forth the compensation given by the United States for the withdrawal of the concession on fishsticks. The document also contained changes in the Canadian tariff resulting from the renegotiation of two items which had been bound by Canada.*

### Concessions Exchanged in Connection with Japanese Accession to the General Agreement on Tariffs and Trade

(Note: These concessions will not become effective before September 1955.)

*Concessions by Japan to Canada*

| | *Present M.F.N. Rate* | *Proposed New Rate* |
|---|---|---|
| Synthetic rubber | Free | Binding of free |
| Sulphite paper pulp | 5 per cent | Binding of 5 per cent |
| Sulphite rayon pulp | 5 " " | Binding of 5 " " |
| Kraft paper pulp | 5 " " | Binding of 5 " " |
| Kraft rayon pulp | 5 " " | Binding of 5 " " |

Certain of the United States direct concessions to Japan will also benefit Canadian exports. The more important of these concessions relate to paper bags, wallpaper, miscellaneous papers and rubber products.

*Concessions by Canada to Japan*

Canadian concessions to Japan took the form of binding of the present rates on oranges, fish preserved in oil, artificial flowers, certain types of tableware, stoneware, and earthenware, certain types of instruments such as optical instruments, feathers, certain types of precious stones and animal shell button blanks.

*Concessions by the United States to Canada*

| | *Present M.F.N. Rate* | *Proposed New Rate* |
|---|---|---|
| Cobalt salts and compounds provided for in par. 29 (other than cobalt oxide, sulphate, and linoleate) | 30 per cent | 15 per cent |
| Graphite or plumbago, crude or refined: amorphous (except artificial) | 5 " " | 2½ " " |

| | *Present M.F.N. Rate* | *Proposed New Rate* |
|---|---|---|
| Iron in pigs and iron kentledge, not containing dutiable alloys and not containing more than 4/100 per cent of phosphorous | 60 cents long ton | 37½ cents long ton |
| Alsimin, ferro-silicon aluminum, and ferro-aluminum silicon, other than containing 20 per cent or more but not over 52 per cent of aluminum and having silicon and iron as the other principal component elements | 2½ cents lb. | 1¼ cents lb. |
| Birds, prepared or preserved in any manner and nspf: | | |
| Turkeys, prepared by removal of feathers, heads, and all or part of the viscera, with or without removal of the feet, but not cooked or divided into portions | 10 cents lb. | 12½ per cent but not less than 5 cents lb., nor more than 10 cents lb. |

*Concessions by Canada to the United States and Japan*

| | *Present M.F.N. Rate* | *Proposed New Rate* |
|---|---|---|
| Blinds of bamboo | 30 per cent | 20 per cent |
| Artificial feathers, fruits, grains, leaves and flowers suitable for ornamenting hats | 22½ " " | 20 " " |
| Bowls, trays and dishes of wood | 20 " " | 17½ " " |
| Baskets of bamboo | 22½ " " | 17½ " " |
| Tuna, frozen, to be processed in Canadian canneries | ¼ cent lb. | Free |

### Results of Renegotiations Initiated by the United States

In compensation for the withdrawal of the concession on fishsticks and similar products, the United States reduced its tariff on pickled herring from ½ cent to ¼ cent a pound and bound its tariff on crabmeat against increase.

**Results of Renegotiations Initiated by Canada**

(See resolutions tabled by the Minister of Finance on June 2, 1955.)

In compensation for the withdrawal of the concessions on ethylene glycol for anti-freeze and on canned mixtures of fruit containing peaches, pears or apricots, the Canadian rate on canned peaches is being reduced from 2½ cents to 2 cents per pound; the rate on melons covered by tariff item 95(a) is being reduced from 2 cents to free; the rate on anti-freezing compounds of ethylene glycol base is being reduced from 20 to 15 per cent; the rate on engines for power mowers is being reduced from 20 to 15 per cent, and free entry for dental engines, chairs and dental units is being bound.

# trade and tariff regulations

## Ethiopia

TRADE AGREEMENT CONCLUDED WITH CANADA—The first direct trade agreement between Canada and Ethiopia was concluded in Addis Ababa on June 3, by an Exchange of Notes. The Note was signed on behalf of the Government of Canada by Mr. M. R. M. Dale, Canadian Government Trade Commissioner.

The Agreement provides for the exchange of most-favoured-nation treatment as regards customs duties and other charges on imports and all regulations affecting trade. As a result, Canadian goods entering Ethiopia will not be subject to higher rates of duty or more stringent regulations than the products of other countries. In turn, Ethiopian products, formerly subject to the General Rates of the Canadian Tariff, will now be accorded the rates of Canada's Most-Favoured-Nation Tariff.

The Agreement became effective on June 3, and remains in force for one year and automatically thereafter, subject to termination by either Government on three month's prior notice.

## Honduras

NEW CUSTOMS TARIFF INTRODUCED—Effective April 15, 1955, Honduras introduced a new customs tariff. The entire tariff structure, including the nomenclature, has been changed. The latter is based on the standard Central American customs nomenclature already adopted by Costa Rica in April 1954. The new rates are generally higher than those in the 1934 tariff, with substantially increased duties provided for semi-luxury and luxury imports. Many additional separate taxes and surcharges previously collected on Canadian goods have now been abolished under the new legislation. United States goods included in the United States-Honduras Trade Agreement had been exempt from these extra charges.

In the case of wheat flour, the new Honduras tariff reduces the preferential margin enjoyed by the United States. The rate on Canadian wheat flour is now approximately $7.00 U.S. per 100 kilograms gross; the duty on United States flour is $6.60 U.S. per 100 kilograms gross.

By the new Customs Law the following taxes are abolished: the customs surcharge of 10 per cent of the duty; the road tax of 1 per cent ad valorem; toll tax of $1.00 U.S. per 100 kilograms; customs-house improvement tax of $0.50 U.S. per 100 kilograms; and the water supply tax of $0.50 U.S. per 100 kilograms.

*Complete details concerning the new tariff are available from the International Trade Relations Branch.*

## Ireland

IMPORTS OF COTTON PIECE GOODS—By three Orders of the Government of the Republic of Ireland, issued under the Control of Imports Acts, 1934 and 1937, further quotas and quota periods have been announced as follows:

*Certain woven cotton piece goods:* 545,000 square yards. Quota unchanged from previous six months' period.

*Certain woven cotton piece goods:* 2,455,000 square yards as against 2,140,000 square yards for previous six months' period.

The quota period fixed in each of the above cases extends from June 1 to November 30, 1955.

*Certain woven cotton piece goods:* 50,000 square yards, as against a similar quantity for previous twelve months. The quota period in this case is from June 1, 1955, to May 31, 1956—Dublin, June 10.

### Japan

IMPORTS UNDER FOREIGN EXCHANGE FUND ALLOCATION SYSTEM ANNOUNCED—The Ministry of International Trade and Industry of Japan announced on April 20 in an import notice, the goods which may be imported into Japan during the period April 1 to September 30, 1955, under the foreign exchange fund allocation system. Under this system, the importer must first obtain an allocation of foreign exchange from the Ministry of International Trade and Industry. If an allocation is granted, the importer receives a foreign exchange allocation certificate which is valid for one month, during which time the importer makes application to the foreign exchange bank for an import licence.

According to the import notice, the following goods may be imported into Japan under this system from the dollar currency area, including Canada:

Hides and skins; soya beans, bean cake and meal; lumber; sulphite rayon pulp; other textile raw materials; raw cotton; cotton waste; abaca fibres and its waste; Chilean nitrate; phosphate rock; potassium sulphate and chloride; asbestos; iron ore; iron and steel scrap (including vessels for scrap); ores of non-ferrous base metals; non-ferrous metals; resin; coal; crude oil; gasoline; fuel oil and gas oil; lubricating oil (including waste petroleum for lubricating oil); petroleum coke; beef tallow; chemicals; agricultural chemicals; medical and pharmaceutical products; other miscellaneous products not otherwise specified.

IMPORTS UNDER THE AUTOMATIC APPROVAL SYSTEM ANNOUNCED—The Japanese Government announced in an import notice on April 7 the goods which may be imported into Japan during the period April 1 to September 30, 1955, under the automatic approval system. Imports under the automatic approval system up to a total amount of $155 million have been provided by the foreign exchange budget for the period. Under this import procedure, the importer may apply directly to the foreign exchange bank for an import licence which is automatically granted until the overall limit is reached. The goods which may be imported from the dollar currency area, including Canada, under the automatic approval system are as follows:

Frozen meats; kaoliang and maize; wheat bran and rice bran; antibiotic feed supplement; vitamins.

Copra; linseed; cotton seed; sesame seed; certain oilseeds, nuts and kernels; synthetic rubber; waste rubber; lignum vitae; incense cedar for pencils; cork bark; cork waste. Rabbit wool; animal hair; flax fibre and its waste; ramie fibre and its waste.

Gilsonite; alumina shale and fire clay; kaolin (including potters clay); diatomaceous earth; industrial diamonds; mica; fluorspar; cryolite, magnesite and magnesia clinker (including brick shaped); borax mineral, boric acid and borate refined.

Copper ore; white bauxite; lead ore (including dross); chrome ore; ilmenite and rutile (excluding titanium slag); mercury ore; aluminum scrap and aluminum alloy scrap (excluding remelted ingot and reclaimed ingot); steel wire covered by copper; cobalt metal (including cobalt grained); chrome metal; certain other metals.

Ossein; ivory; fresh-water shells; shell for buttons; bristle; unspecified tanning materials and their extracts.

Arabic gum; pure resin; copal gum; tragacanth gum; derris (including cube); seeds for planting (excluding seed of red clover); palm oil.

Tetraethyl lead; normal hexane; liquid propane; methylene chloride; napthten acid; intermedium for cortisone; dyestuff and its assistants; alkyl benol; cobalt oxide; pigment resin colour base and its extender (only limited to use for textile dyeing); piperonyl bauxite; methane-serin-bromide; testosterone and its derivatives; cationium soap for disinfection; tri-tetra methyl penta-aminoiso-oxazol; D. L. methyionin and its derivatives; propane-serin-bromide; laurophia serpentina and its products; certain medicines and chemicals.

Acetate flake; polystyrene and poly-ethylene waste; polyethylene and styrenemonomer.

Rennet casein; flotation reagents; additives for petroleum products; sealing compound; certain machinery; specified agricultural products.

FOREIGN EXCHANGE BUDGET ANNOUNCED—The Japanese Ministry of International Trade and Industry announced on March 30 a foreign exchange budget of $1,317 million for the first half of the 1955 fiscal year (April 1 to September 30). This figure is $64 million greater than the amount allocated for imports for the previous budget period, October 1, 1954, to March 30, 1955. The budget provides for the current allocation of $1,107 million for visible imports and $210 million for invisible trade. This increase represents an allocation of $17 million more than in the previous budget for the import of merchandise and $46 million more for invisible imports.

The foreign exchange budget for the imports from April to September 1955 is as follows (value in thousands of dollars):

| Category | Amount |
|---|---|
| Foodstuffs | $ 290,000 |
| Monopoly goods | 7,077 |
| Lumber and timber | 11,297 |
| Materials for daily necessities | 22,044 |
| Textile materials | 260,408 |
| Fertilizer and its components | 19,673 |
| Coal | 28,543 |
| Iron and steel | 51,050 |
| Non-ferrous metal and non-metals | 13,449 |
| Petroleum | 66,898 |
| Chemicals and chemical materials | 1,662 |

| | |
|---|---|
| Medicines | 3,154 |
| Agricultural chemicals | 397 |
| Machinery and metal products | 33,032 |
| Materials for processing trade | 25,000 |
| Barter trade goods | 12,000 |
| Goods delivered to the U.S. Army | 8,510 |
| Goods for re-export and additional payment | 700 |
| Miscellaneous import goods | 47,037 |
| Automatic approval system | 155,000 |
| Ordinary reserve | 50,000 |
| Total | $1,107,000 |

The budget for invisible trade for the same period is as follows (value in thousands of dollars):

| Category | Amount |
|---|---|
| Transportation | 75,699 |
| Insurance | 7,910 |
| Passage | 4,050 |
| Interest on foreign investments | 23,908 |
| Government trade | 9,000 |
| Incidental expenses of trade | 7,228 |
| Incidental expenses for technical aid | 10,485 |
| Communications | 2,232 |
| Other services | 17,252 |
| Presentation | 19,129 |
| Long-term capital trade | 13,359 |
| Short-term capital trade | 7 |
| Commodity trade | 37 |
| Ordinary reserve | 20,000 |
| Total | $ 210,000 |

## New Zealand

REPRESENTATIONS RESPECTING THE TARIFF —The New Zealand Board of Trade proposes to inquire into the question of what rates of duty should be imposed on materials for the manufacture of paint and related products. The present tariff structure on items of possible interest to Canada is as follows:

| Item No. | — | British Preferential Tariff | Rate to Canada | Rate to Most-Favoured-Nation-Countries |
|---|---|---|---|---|
| 124 | (8) Iron oxides ........ ad val. | 3% | 3% | 3% |
| 397 | Paints, colours, varnishes, and similar materials, viz.: | | | |
| | (1) White-lead ground in oil .. per cwt. | 6s. | 6s.+22½% of duty. | 9s.+22½% of duty. |
| | (2) *(a)* Paints mixed ready for use ad val. | 15% | 25% | 35% |
| | *(b)* Paints, and colours, ground in liquid, n.e.i.; enamel paints; ships' anti-fouling composition ad val. | 15% | 25% | 35% |
| | *(c)* Paint-thinners, n.e.i.; driers, n.e.i ........ ad val. | 15% | 25% | 45%+22½% of duty. |
| | (3) *(a)* Varnishes (excluding collodion-base varnish for correcting stencils); lacquers; Brunswick black; japans; lithographic varnishes; printers' ink reducer; terebine; gold-size; liquid stains for wood; metallic paints, and liquid medium for mixing with the same; petrifying-liquids, , n.e.i., suited for waterproofing concrete, plaster, and similar surfaces, or for use as paint; fused gums for the manufacture of varnishes ..... ad val. | 15% | 25% | 45%+22½% of duty. |
| | *(b)* Collodion-base varnish for correcting stencils ........ ad val. | 15% | 25% | 40% |
| | (4) Preparations for removing paint and varnish ........ ad val. | 15% | 25% | 45%+22½% of duty. |
| | (5) Putty and wood fillers ..... per ton | 3% | 3% | £1 10s.+ 22½% of duty. |
| | (6) Kalsomine, distempers, and similar preparations, in powder form .. ad val. | 3% | 3% | 35%+22½% of duty. |
| | (7) Paints and colours, dry, n.e.i., viz.: | | | |
| | *(a)* Zinc white, red lead ... ad val. | 3% | 3% | 3% |
| | *(c)* Other kinds; barytes; whiting and chalk ........ ad val. | 3% | 3% | 3% |

Interested Canadian firms may wish to have their views on this investigation placed before the New Zealand Board of Trade, the government body investigating tariff changes. The most effective method of doing so is to request their representatives in New Zealand to act on their behalf before the Board. Evidence should be submitted before August 23, 1955.

## South Africa

REPRESENTATIONS RESPECTING THE TARIFF —It was announced on May 13, 1955, that the South African Board of Trade and Industries had received the following representations respecting the tariff:

*Increase in duty on:*

1. Electric kettles and elements from 15 per cent to 25 per cent ad valorem minimum rate and from 20 per cent to 30 per cent ad valorem intermediate rate.

2. *(a)* The following brushes from various rates of duty to 30 per cent ad valorem (intermediate rate):
   - Boots and shoe brushes, including crimped brass wire brushes
   - Clothes brushes
   - Lavatory or sanitary brushes
   - Bottle brushes
   - Brushes of all types used in floor polishing or vacuum cleaning machines, whether electrically or manually operated.

*(b)* Brushes and brushware for agricultural purposes from free of duty to 12½ per cent ad valorem.

*(c)* Brushes and brushware for industrial purposes, from free (minimum rate) and 5 per cent ad valorem (intermediate rate) to 12½ per cent and 17½ per cent ad valorem respectively.

3. Sanitary pads from 15 per cent to 40 per cent ad valorem.

Interested Canadian firms may wish to have their views on these tariff inquiries placed before the Board of Trade and Industries. The most effective method of doing so is to request their representatives in South Africa to act on their behalf before the Board. Since these matters are normally reviewed soon after the announcements are made, it is advisable to take action as soon as possible. Firms making representations may wish to use the services of the Canadian Trade Commissioners in Johannesburg and Cape Town.

### United Kingdom

DUTY ON BUTYL RUBBER SUSPENDED—The United Kingdom authorities have announced that the general ad valorem duty of 10 per cent on butyl rubber imported into the United Kingdom has been suspended for the period from June 8 to December 31, 1955. Commonwealth products are not subject to duties under imperial preference arrangements.

### United States

TARIFF COMMISSION REFUSES TARIFF INCREASE ON HARDWOOD PLYWOOD—The United States Tariff Commission announced on June 2, 1955, the results of its "escape clause" investigation with respect to the tariff on hardwood plywood (*Foreign Trade,* December 11, 1954, page 32).

The commission found that hardwood plywood is not being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industries producing like or directly competitive products. The Commission, therefore, made no recommendation to the President for the withdrawal or modification of the concessions applicable to hardwood plywood.

*(The present United States rate of duty on birch plywood is 15 per cent ad valorem. United States imports of birch plywood from Canada amounted to $7,561,136 in 1953.)*

### West Germany

FURTHER DOLLAR IMPORTS LIBERALIZED—Effective May 28, West Germany freed from quantitative import restrictions a lengthy list of goods originating in the dollar area.

Liberalized goods may be imported into West Germany without an import licence. They are admitted on the basis of import declarations which the German importer obtains freely and presents to the central bank of his province (Land). An import declaration entitles him to pay for liberalized goods in dollars.

The present measure adds many items to those which West Germany liberalized in February and November, 1954, and includes various commodities of interest to Canada.

Import licences were granted freely in the past for some of the dollar imports which were liberalized on May 28. Moreover, cereals, most foodstuffs, primary aluminum and copper except scrap, and synthetic rubber remain subject to import licensing requirements. It is therefore not expected that the present list will lead to a large increase in Canadian exports to Germany. This measure is, however, a significant step in Germany's removal of dollar import restrictions and it might facilitate exports of some Canadian products, for example razor blades.

The following commodities which appear to be of interest to Canadian exporters were liberalized on May 28:

- Wood pulp of all types (only rayon grades had been freed earlier)
- Herring oil for industrial uses
- Linseed oil, rape seed oil, soya bean oil, industrial, crude
- Varnishes on the basis of linseed
- Eels, fresh or frozen
- Lobsters and oysters, fresh or frozen
- Horse hair curled
- Rape seed
- Soya beans
- Glue
- Printed transfers for industrial use
- Mineral wax, refined
- Certain aluminum salts
- Formaldehyde and paraformaldehyde
- Acetaldehyde, metaldehyde and paraldehyde
- Prepared paints, varnishes and lacquers, put up for retail sale
- Polyvinylidene chloride in blocks, rods, plates and similar primary forms
- Barrel staves and other barrel wood of oak
- Stockings and socks made entirely of synthetic textile fabrics
- Sacks and bags for packing
- Pig iron
- Iron ingots and blooms
- Brass and other copper alloys, unwrought
- Aluminum waste (only turnings and filings had been freed earlier)
- Bars, rods, angles, shapes, sections, wire (other than leonic wire), slabs, sheets, plates, hoop, strip and discs of copper, copper alloys and aluminum.
- Tubes, pipes and hollow bars of copper, copper alloys and aluminum
- Cables, cordage, ropes and similar articles, of aluminum wire, not insulated for electrical purposes
- Lead, magnesium, tungsten, molybdenum, tantalum, bismuth and titanium, unwrought
- Television receiving sets
- Dictating machines
- Sound recording and reproducing apparatus
- Sporting guns and rifles
- Rubber balls
- Razor blades
- Piano mechanisms

Information about the status of individual goods relative to Germany's import liberalization may be obtained from the International Trade Relations Branch.