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# foreign trade

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**COVER** Although the rate of expansion in Western Europe slowed down last year, foreign trade held up well in most areas and business continued brisk. The reports from 15 West European countries in this issue give the picture in detail. Introducing this special feature, our cover shows (left) a hard-rock miner at work in Austria; (centre, top) a Swedish technician carrying out the final steps in making ball-bearings; (centre, bottom) a Greek fisherman repairing his nets; (right) a German worker assembling a camera.

# EUROPE IN 1956

*The Suez crisis and slight slackening in pace of development were main influences on European business last year. Canadian sales to Europe showed rise of \$150 million, largely because of Eastern European wheat purchases; imports from Europe increased by \$92 million and are rising.*

L. A. CAMPEAU,  
Area Trade Officer for Europe.

AFTER RAPID DEVELOPMENT for two consecutive years, Western Europe in general in 1956 experienced a slowing down of the rate of expansion, despite the fact that in some countries (such as France, Italy, Switzerland and Norway) industrial progress was maintained at about the former high level or even speeded up.

The rise of prices in the earlier part of the year mainly resulted from pressure of domestic demand on resources already fully employed; only to a very slight extent was it due to rising import prices. This rise, together with the strain on the balance of payments in some countries as strong domestic demand tended to reduce products available for export, prompted most governments to strengthen existing corrective measures or to take new steps to restrain growing demand. These measures were largely of a fiscal or financial nature (credit restrictions, interest rates, taxes).

The gross national product for 1956 in most countries of Western Europe reflected this less rapid growth in industrial production. In some where the rate of increase in industrial output remained high, the marked slowing down in the growth of the gross national product stemmed from the decrease in agricultural output following adverse weather.

Nearly everywhere the boom in consumer durables continued and sales of household durables and passenger cars rose more rapidly than those of other consumer goods. The tendency for demand to shift towards consumer goods however continued to be checked by bank credit restrictions which affected the purchase of both domestic and imported products.

Apart from military assistance, mainly from the United States, net economic aid to Western Europe in 1956

came to less than one-third the total of 1955 and largely reflected deliveries and commitments made in earlier years. The continued decline in Europe's role as a recipient of aid was emphasized by the fact that, of the new obligations under the U.S. foreign aid program last year, only 7 per cent went to Europe.

## Effects of the Suez Crisis

The Suez crisis in October had certain direct effects on the economic situation in Western Europe. The blocking of the Canal and the wrecking of pipelines disrupted the channels of trade through which pass about one-third, in value, of Western Europe's trade with the rest of the world. The lengthening of the sea routes had repercussions on European imports and exports; purchases of oil were cut and so also to some extent were imports of raw materials. The rise in freight rates, coupled with increased competition among purchasers mainly in Europe, itself, was reflected in a general tendency towards price rises, with petroleum showing one of the largest increases.

Serious efforts were made to ensure maximum oil deliveries to Europe and production was not affected as much as was expected, thanks mainly to a very mild winter. The gasoline shortage, however, indirectly caused a substantial drop in output in the automobile industry.

## Plans for Free Trade Area

Among the significant developments of the past year was the swift growth of general interest in preparing for the establishment of a western European Common Market and possibly also of a wider Free Trade Area in Europe.

Canadian exports to the Common Market countries increased in 1956 to over \$345 million, of which three-fourths went to Germany and the Benelux countries, as shown in the following table:

### CANADIAN EXPORTS TO COMMON MARKET COUNTRIES

	<i>(in millions of dollars)</i>	
	1955	1956
West Germany .....	90.8	141.6
Belgium-Luxembourg .....	53.4	58.2
Netherlands .....	47.7	54.6
France .....	42.6	53.2
Italy .....	27.7	37.8
	262.2	345.4

FOREIGN TRADE

## Canada's Trade with Europe

### CANADIAN EXPORTS TO EUROPE\*

	1955	1956	Jan.-March	
	<i>(in millions of dollars)</i>			
	1955	1956	1956	1957
**Total Europe:	388.7	538.9	96.0	129.8
Belgium-Luxembourg	53.4	58.9	10.4	14.8
France	42.6	53.2	12.8	16.0
Italy	27.7	37.8	8.5	16.2
Netherlands	47.7	54.6	9.7	14.3
Norway	47.0	57.7	13.4	13.8
Switzerland	25.6	33.5	6.0	7.1
West Germany	90.8	141.6	18.2	35.4
Eight others in this issue:	42.4	37.9	8.1	11.6
Soviet countries	10.5	62.7	8.4	0.4

\*DBS statistics.

\*\*Including Yugoslavia and Turkey.

(The article on page 44 deals with provisions of the draft Common Market treaty recently drawn up.)

### West European Trade

Trade of the OEEC countries combined continued to rise in 1956 but less rapidly than in the exceptional year of 1955. Intra-European trade increased but the levelling-off of economic expansion in Europe reduced the rate of growth both of imports from overseas and of intra-European trade. One interesting feature was the continuing increase in imports from the dollar countries and the smaller dollar trade gap, because exports from Western Europe to the dollar area rose even faster. Several countries—particularly Austria, Norway, Sweden, and West Germany—further liberalized imports from the dollar area during the period under review.

#### TRADE OF 16 WEST EUROPEAN COUNTRIES\*

*(in millions of U.S. dollars)*

Jan. to Sept.	Total Exports	Exports to dollar countries	Exports to Western Europe
	1956	20,477.6	2,752.8
1955	18,400.0	1,889.8	11,552.3
Change:	2,077.6	863.0	1,113.9

Jan. to Sept.	Total Imports	Imports from dollar countries	Imports from Western Europe
	1956	24,240.5	4,300.5
1955	21,240.6	3,449.2	11,459.6
Change:	2,999.9	851.3	1,422.2

\*(France, Netherlands, Belgium-Luxembourg, Switzerland, Italy, Portugal, Denmark, Sweden, Norway, Finland, West Germany, Austria, Greece, Spain, Turkey and Ireland.) Source: U.N. Statistical Office.

### CANADIAN IMPORTS FROM EUROPE\*

	1955	1956	Jan.-Feb.	
	<i>(in millions of dollars)</i>			
	1955	1956	1956	1957
**Total Europe:	205.4	297.6	30.3	36.4
Belgium-Luxembourg	29.1	52.7	4.5	5.3
France	25.0	32.6	3.4	3.9
Italy	18.5	25.0	2.3	3.6
Netherlands	21.0	23.8	2.3	2.4
Norway	2.4	3.8	0.2	0.4
Switzerland	19.4	22.3	3.1	3.0
West Germany	55.6	89.3	9.9	11.3
Eight others in this issue:	28.3	36.6	3.7	5.2
Soviet countries	4.8	9.9	.8	1.1

\*DBS figures.

\*\*Including Yugoslavia and Turkey.

Dollar imports, which amounted to over \$4.3 billion for the first nine months of 1956, increased more than 24 per cent over the same period of 1955, compared with an approximately 13 per cent advance in imports from Western Europe. Coal imports accounted for most of this rise but petroleum purchases were also an important factor, reflecting the greater needs in Western Europe in the face of the continuing difficulty in raising coal output. There was also a sustained high rate of increase in imports from the predominantly raw-material producing countries overseas.

Imports from dollar countries for the first nine months of 1956 increased by \$850 million, producing a dollar trade deficit of \$1.5 million—roughly the same as for the first nine months of 1955. Developments in the dollar balance of Western Europe were rather favourable during the first nine months of 1956: gold and dollar reserves increased by about \$900 million, or about the same as in the comparable months of 1955. This increase took place in spite of the sharp decline in U.S. non-military grants and loans to Western Europe. In some countries, however, the Suez crisis brought a drain in reserves at the end of the year sufficient to wipe out some of the earlier gains.

Canadian exports to Europe showed a substantial increase in 1956 compared with 1955, rising from almost \$390 million in 1955 to over \$538 million in 1956. A large part of this increase was accounted for by the sales of Canadian wheat to the U.S.S.R. under the trade agreement which came into force in 1956, plus wheat sales to Czechoslovakia and Poland. As shown in the table above, another significant increase took place during the first three months of 1957—to almost \$130 million compared with \$96 million a year earlier.

Canadian imports from Europe also increased last year to \$298 million from \$206 million in 1955, as prosperity in Canada continued at a high rate and the sales efforts of many European countries bore fruit. A further rise of \$6.1 million took place in the first two months of this year, compared with the same period last year.

With wheat excluded, Canadian exports to the 15 European countries covered in this issue totalled \$295 million in 1956, an increase of \$17.4 million from the previous year, as shown in the following table:

CANADIAN EXPORTS TO EUROPE

	1955	1956	Jan.-March	
			1956	1957
15 European countries —total .....	377.2	474.5	87.1	129.2
15 European countries, excluding wheat .....	277.5	295.9	59.4	98.9
Soviet countries—total .....	10.5	62.7	8.4	0.4
Soviet countries, excluding wheat .....	7.1	6.8	1.3	0.4

Canadian sales to Soviet countries declined in the first three months of this year compared with the same period last year. However, both Poland and Soviet Russia are committed to purchase Canadian wheat during this year.

### A Look Ahead

It would be premature to draw the conclusion from figures available that the current phase of industrial expansion in Western Europe is coming to an end. It is difficult to find signs of more than a slight slowing down of the rate of expansion, probably because of physical limitations, and productivity should continue to rise as investments undertaken in the past bear fruit.

In most countries, with few exceptions, some increase in consumption followed the rise in incomes—and consumption in general still appears to be increasing. In fact, there seems little reason to foresee any sudden change in the upward trend. Despite the direct effects of the political crisis in the Middle East on the balance of payments, tending to weaken the position of European countries and to retard the expansion of the dollar balance of Western Europe as a whole, the economic outlook has not changed substantially. The steps taken by many countries in Europe to prepare themselves more effectively against political hazards—for instance, more intensive prospecting for oil and expansion of other industries—should have the effect of increasing the demand for and the volume of imports from dollar countries. Furthermore, the dollar liberalization which has continued in many West European countries during 1956 and into 1957 will no doubt continue to offer Canadian exporters many good trade possibilities. ●

## Austria

*Economic expansion continues, but at a slower rate; pressing need is for new capital to modernize industries in former Soviet zone. Exports exceeded imports in '56 and foreign exchange reserves rose. Canadian sales to Austria more than doubled over '55 and trend should persist.*

B. I. RANKIN,  
Commercial Counsellor, Berne.

AUSTRIA'S MIRACULOUS POSTWAR RECOVERY is exceeded in Europe only by that of the Federal Republic of Germany. The employment rate is nearly 50 per cent higher than prewar; industrial production is about two and one-half times that of 1937; export volume has doubled, with Austrian goods finding new markets to replace the traditional outlets in southeast Europe. Consumption, including non-essential goods, is rising steadily, indicating progressively higher standards of living.

In 1956, Austria's growth showed some signs of leveling off. Gross national product, which had risen by 10 per cent in 1954 and by 11 per cent in 1955, rose by only 4 per cent in 1956 to reach approximately \$4 billion. Industrial production expanded by 16 per cent in 1955, but by only 4.7 per cent in 1956, reflecting a decline in capital goods production because of the slackening rate of investment. New investment, however, still represented about one-quarter of the gross national product.

Inflation in Austria has been kept relatively well under control with only a 3 per cent rise in the cost-of-living index during 1956. Employment showed little change; wages and salaries rose more rapidly than prices and substantially more than the increase in productivity. These factors point to the possibility of some inflationary tendencies in the future.

### New Capital Badly Needed

Austria's most pressing economic problem at the moment is the need of new capital to rehabilitate obsolete plants in the area formerly under Soviet control and to continue the expansion and improvement of the relatively advanced enterprises in the rest of Austria. This must be done if Austrian industry is to maintain its competitive position in international markets. In addition to finding the capital required to modernize former Soviet-controlled industry, the

Austrian Government must meet its obligations under the State Treaty of 1955 to compensate the U.S.S.R. with merchandise exports for the return of these enterprises. These delivery commitments total about \$46 million a year for the first six years and \$90 million for the four subsequent years. It is estimated that these industries will need additional capital of \$50 million to \$100 million a year to modernize them and make them more efficient. To meet this problem the Government has proposed a long-range program under which the profitable nationalized industries would seek new funds on the capital market while the Government's share of their dividends would be transferred to less efficient former Soviet Zone firms as long-term loans.

### Hungary and the Suez

The events of last October—the revolt in Hungary and the blocking of the Suez —materially affected Austria. Almost overnight the country became host to tens of thousands of refugees, a considerable additional financial burden, despite assistance from other countries and international agencies.

In total, higher prices and transport delays caused by the Suez crisis affected directly about 4 per cent of Austrian imports and 7 per cent of her exports. Fortunately for Austria, her requirements for petroleum products are covered to a large extent by domestic production.

The exchange of goods between Hungary and Austria stopped completely at the outset of the dramatic events in Hungary. Although this exchange is not large in terms of Austria's total trade, it had risen remarkably since the State Treaty of 1955. During the first three quarters of 1956, Austria's exports to Hungary rose 49 per cent over the corresponding period of 1955 to a total value of A.Sch.441 million; imports from Hungary increased to A.Sch.374 million, or 35 per cent. Transit traffic on the Danube was also interrupted when the revolt broke out.

### Agricultural Year Good

Austrian agriculture escaped the ravages of the frost of February 1956 which affected many parts of Europe. On balance, the country had a good crop year but although in recent years Austria has reached a remarkable degree of self-sufficiency in many foodstuffs, substantial quantities of others (particularly wheat) must still be imported. In contrast with pre-war years, the pattern of agricultural imports has shifted from Eastern Europe to Western Europe and North America.

### Trade Pattern Altered

During 1956, imports rose less rapidly than exports. The result was that Austria's holdings of gold and

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*This three-part, hydraulic rail-car train, photographed on its trial run, was built in Austria for the Uruguayan State Railways. The growth of Austrian industrial capacity recently has resulted in a corresponding rise in industrial exports.*

foreign exchange, supplemented by capital transfers and high receipts from tourists, increased by \$55 million to reach almost \$400 million, a sum equal to about five months' imports.

This improvement was reflected in a liberalization of dollar imports in October 1956 which was reported in *Foreign Trade* of November 10, 1956.

The present trading picture in Austria differs materially from that of prewar or the early postwar period. Imports of foodstuffs fell from one-third of the total trade in 1937 to one-fifth in 1956. Increasing self-sufficiency in agricultural products has gone hand in hand with greater output of certain basic industries (mining, oil, iron and steel, chemicals and electric power), and the development of new industries has reduced dependence on imported raw materials. However, the high level of economic activity has stimulated imports, particularly of consumer goods. A considerable rise in exports has accompanied the rise in industrial capacity. In 1956 exports were 80 per cent above 1937.

About three-quarters of Austrian external trade is carried on with OEEC countries and particularly West Germany. Trade with Soviet countries has dropped to about 10 per cent, compared with almost one-third of the total in the early thirties. Because of Austrian commitments under the State Treaty of 1955, it is expected that this proportion will rise.

### **Austro-Canadian Trade**

Canadian exports to Austria rose to approximately \$6 million in 1956 compared with only \$2.8 million in 1954. Wheat accounts for about half of the total. Other exports include asbestos, nickel, chemicals, polystyrene, synthetic fabrics and synthetic resins.

Canadian imports from Austria, although they totalled only about \$3 million in 1956, included highly diversified items, such as lace, knitwear, jewellery (particularly rhinestones), confectionery, projectors, ball bearings, dental instruments, and a wide range of specialty goods and handicrafts.

The liberalization of dollar imports coupled with the rising demand for consumer as well as industrial goods indicates a potential export market for Canadian manufactured goods and perhaps certain foodstuffs.

## **Belgium**

*What kind of a country is Belgium? How important a part does foreign trade play in its economy? What products does it chiefly buy from Canada? This article by our representative in Belgium, who soon will be touring Canada, gives succinct answers to these important questions.*

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

BELGIUM is one of the most densely populated countries in Western Europe and it is also the smallest, barring Luxembourg. Its 12,000 square miles lie facing the North Sea so that it has ample rainfall and yet enjoys relatively mild winters and cool summers.

About 55 per cent of its 8.9 million people are Flemish speaking; they live mostly in the low-lying agricultural land of the west and north (Flanders) where the country dips to the sea. The rest of the population speaks French; the land in their region stretches south-

To take advantage of this situation, R. K. Thomson was posted to Vienna as Commercial Secretary and opened a new office of the Trade Commissioner Service there on May first.

In exploring the Austrian market, certain factors must be kept in mind. Competition is keen. Although terms vary with the commodity, payment within ninety days is common for commercial transactions. Because of the high rate of bank financing (10 to 12 per cent), importers favour sources of supply willing to grant ninety-day terms. Cash discounts are usually granted for payment within thirty days.

### **Growth May Be Slower**

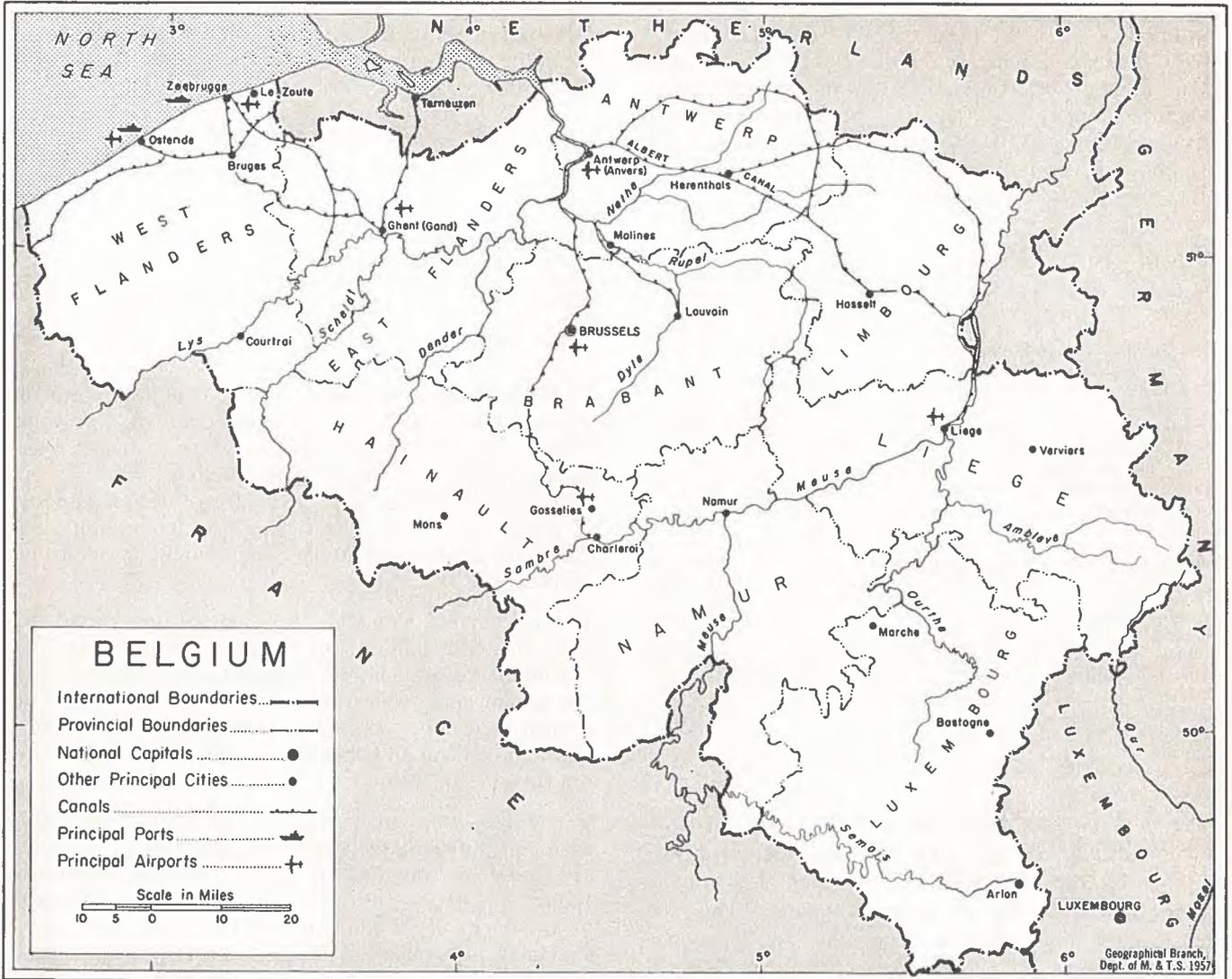
The recent rate of growth in the Austrian economy may level off once the reconstruction of the economy is complete. The labour force is now fully employed and most natural resources have been fully exploited. Future expansion will depend mainly on increases in productivity, the expansion of exports, and the attraction of foreign capital.

Because her trade is predominantly with OEEC countries, Austria has made it clear that she will become a member of the proposed Free Trade Area. ●

east and rises over wooded, rolling hills to the small mountain range known as the Ardennes. The nation is preponderantly Roman Catholic. Thus Belgium has two distinct national groups, distinguished by language, religious attitudes and environment. This sectionalism is reflected in their politics and in their tastes.

### **Communications**

Brussels (metropolitan population, 1.3 million) and Antwerp (800 thousand) are the largest distribution centres and the latter is also the fourth largest port in the world. Ostend, Ghent and Zeebrugge also handle considerable sea traffic. In 1955, Belgium's ports handled 80 million metric tons of goods destined for or from Belgium (and Luxembourg). Added to this was a transit trade of 14 million tons, or about 15 per cent of the total. A 1,000-mile canal system provides cheap bulk transport to all important centres and ocean-going vessels dock at Brussels, which is about 60 miles inland. Brussels/Melsbroek is a scheduled stop for many international airlines. Good



rail transport (3,100 miles) is supplemented by a speedy road-transport system. Belgium is Europe's third country as far as super-highway development is concerned; important extensions to this system are being planned and construction is under way. Surrounded by important and populous countries, Belgium has within a 250-mile radius Europe's most industrialized zone.

### Standard of Living

The standard of living in Belgium is high and so is the per capita income. The following table shows the indices of gross national product per capita for relevant countries, on a basis of average European prices for 1953:

Belgium	U.S.	U.K.	France	West Germany	Italy
100	191	95	75	74	47

The Belgian economy is a high-cost one and there are numerous small entrepreneurs, artisans and shopkeepers, alongside the huge and quasi-monopolistic steel, chemical and glass industries. In early 1956 salaries (including social security contributions, which are high at approximately 40 per cent of basic wages) were on the average 2 per cent higher than in Britain, 8 per cent higher than in Germany, 10 per cent higher than in France and 35 per cent higher than in The Netherlands.

### Trade Pattern

Tariffs in Belgium are low because Belgians need to export and import to live. Although it is a highly industrialized country with 49 per cent of the working population employed in mining, manufacturing and building, Belgium must import because she has few raw materials except coal. Exports per capita are

the world's highest—about 40 per cent of the nation's production. In 1951 these exports were equivalent to \$578 per capita, compared with \$280 for Canada and \$163 for the U.S. Imports of raw and mainly unmanufactured materials for industry represent, with food, drink and tobacco, two-thirds of the total value. The country's main imports and sources of supply are shown in the following tables:

BELGIAN IMPORTS 1951	% of total by value
Textile raw materials .....	13.5
Ore and scrap .....	12.6
Machinery and transport equipment .....	12.3
Mineral oil, coal and coke .....	8.1
Textiles and clothing .....	7.3
Raw materials for wood, paper, leather and rubber industries .....	6.1
Cereals .....	5.9
Other raw materials .....	9.7
Other manufactures .....	10.4
Other food, drink and tobacco .....	13.6
Miscellaneous .....	0.5

PRINCIPAL SUPPLYING COUNTRIES 1953	(million \$)
Netherlands .....	332.40
West Germany .....	297.36
France .....	261.10
United States .....	248.76
United Kingdom .....	219.10
Belgian Congo .....	180.66
Sweden .....	77.62
Australia .....	72.62
Canada .....	68.14
Switzerland .....	60.74

The value of trade increased in 1956, as the following table indicates, by some 16 per cent compared with 1955. Exports rose some 11 per cent in volume in 1956 and some 16 per cent in value. This was particularly noticeable in iron and steel products which, when compared with 1953, showed an increase of some 40 per cent.

#### TOTAL TRADE OF THE BELGO/LUXEMBOURG ECONOMIC UNION

(in millions of dollars at ready conversion rate 50 B.F. to \$1)

	Exports	Imports	Total trade
1954	\$2,303.48	\$2,549.86	\$4,853.34
1955	2,779.22	2,844.04	5,623.26
First 11 months: 1955	2,490.08	2,578.42	5,068.50
First 11 months: 1956	2,892.44	2,958.86	5,851.30
1956	3,160.00		

#### Trade with Canada

Trade between Belgium (or rather BLEU, the Belgo-Luxembourg Economic Union) and Canada has shown a gradual increase if we except Canada's exports of cereals to Belgium which have been diminishing of recent years. Although the trade between Belgium and Canada represents a relatively small percentage of total trade, none the less Belgium is Canada's sixth

best market and her second largest European customer. Canada is important to Belgium as well. The following table summarizes the trade exchanges and shows how the trade gap is closing.

#### TRADE BETWEEN BLEU AND CANADA

(in millions of \$'s—Canadian figures)

	1956	1955	1954	1953
Exports to Belgium .....	58.2	53.4	55...	69.5
Imports from Belgium .....	52.7	29...	25...	29...
Total: .....	110.9	82.4	80...	98.5
Imbalance: .....	5.5	24.4	30...	40.5

In 1956, Belgium imported over \$58 million worth of goods from Canada, an increase over the previous year. Though these imports from Canada were smaller than in some years before 1954 when purchases of cereals were very large, Belgian imports of goods other than cereals have been increasing. At the same time, Canada has been buying more from Belgium.

Wheat remains Canada's most important export to Belgium (\$32 million out of \$58 million in 1956), but industrial raw materials such as minerals, asbestos, aluminum and even iron and steel products find a market there too. Among foodstuffs, salmon is important and medical and chemical products and machinery sell in some quantity.

Canada, on the other hand, is Belgium's fifth best customer, buying largely iron and steel products, which accounted for some 39 per cent of Belgian exports to Canada in 1956. Pipeline companies, for instance, have bought large amounts of iron and steel pipe. Canadian firms also buy Belgian carpets, which represent about 15 per cent of Belgian exports to Canada, plus diamonds, glassware, cement and tin.

#### Belgians as Buyers

The Belgians are a very commercial people and competition among them is keen. A great many foreign products are available and compete for the public's favour. A myriad of local firms, large and small, are importers and representatives; over 200 Canadian firms have active agents in Belgium. Yet prices are high and, combined with relatively high wages, the Belgian market is thus a price market. There is a quality fringe market, as illustrated by the sale of Italian sports clothes, Swiss footwear or American high-priced cars. But generally speaking, when a foreign supplier cannot sell his goods in this country it is because his price is too high; tariff barriers prevent few articles from entering the country.

Canada and Canadians have built up a tremendous amount of goodwill in Belgium and this works in our

favour. Belgian businessmen are interested in Canada as a source of supply for raw materials and cereals, semi-finished goods and manufactured articles, in that order, and as a market for their own products. The Belgian people as a whole are impressed by the rate of Canada's industrial development and by the important role she is playing in international affairs. Those who have capital to invest—and there are many of them—consider Canada to be one of the best areas in the world for this purpose. Belgian newspapers, and especially the financial papers, knowing of this interest on the part of their readers, keep them supplied with a continuous flow of information on Canada.

Belgium is, then, a market in which buyers are favourably disposed towards Canadian exporters and the products they have to offer. Furthermore, these buyers have all the dollars they need with which to buy Canadian goods. Except for a relatively small number of products, import licences, where applicable, can be readily obtained.

Despite all this, Canadian exporters should not jump to the conclusion that the Belgian market is an easy one in which to sell. On the contrary, it is terribly competitive and exporters must be prepared to expend a lot of energy and use considerable initiative if they want to get worthwhile results. The Belgian is a discriminating buyer and because he has such an abundance of choice, he insists upon having the right quality at the right price.

### Trade Regulations

Belgium was the first country in Europe to lift her wartime controls. There are no exchange restrictions. Import and export licences are required for many products but except in a few cases these are freely granted. None the less, there are still quotas for some products established by Belgium and Luxembourg within their Economic Union. Lately, however, in negotiations and trade agreements concluded with Britain, Denmark and Portugal, the Belgians and Luxembourgers have joined with their Dutch colleagues in Benelux to set up quotas whereby the quantities of imports to which the trio commit themselves are generally common to all rather than specifically established for each partner. Benelux has indeed gone a step further. This year it established common quotas for specific items (automobiles and parts, penicillin, fish nets, wooden packing cases, television sets and chassis, carbonic acid, methyl chloride, and bicycle axle brakes operating under reverse pressure of pedals), regardless of their place of origin. It is still doubtful whether this has meant increased restrictions but up to now import quotas have only covered 3 per cent of agricultural and industrial products.

JUNE 22, 1957



*THEO J. MONTY, Commercial Counsellor in Brussels, has returned to Canada and begun a series of visits throughout the country to meet businessmen interested in the Belgian market. Mr. Monty will be in Montreal until June 28, and in Toronto from July 2-13. He will then take*

*holidays and resume his tour in September, visiting southern Ontario and western Canada. His future itinerary will be published in a later issue of Foreign Trade.*

*Mr. Monty was appointed to the Trade Commissioner Service in 1930 and posted to Athens in 1931. When that office was closed in 1934 he was transferred to Tokyo, and in 1938 to Oslo. During the invasion of Norway he was captured and interned in Germany for two years. After his release in 1942, he was appointed to the Los Angeles office, and in 1946 he went to Greece to re-open the Athens office. Mr. Monty began his term at Brussels in 1952 and he will return there when he completes his Canadian tour.*

### Import Duties

Import duties on raw materials and semi-finished goods are low and most of these are exempt. Duties on semi-manufactured goods range from 4 to 12 per cent and on finished products from 6 to 24 per cent. In very few cases do import duties exceed 24 per cent. In addition to this, however, there is a "transmission tax on importation" which applies to all imported items. The normal rate is 5 per cent but it can be altered by ministerial decree for any article; it varies between 2 and 10 per cent. The tariff is applicable on the C.I.F. value of the items at port of entry and the transmission tax is superimposed on the value, including duty. In special cases a luxury tax replaces the transmission tax; it is set at 11 or 13 per cent, depending on the item. An excise tax is imposed on certain foodstuffs and tobacco.

### Representation

Canadian exporters wishing to sell goods in the Belgian market can use a variety of methods. These will vary according to the size of the Canadian firm and the products which it has to offer. A large firm whose products are competitive and which finds market

prospects attractive could consider appointing a resident manager or making arrangements with a Belgian firm to assemble or manufacture for them and look after the distribution and sales of their products.

Belgium is well located for the purpose of both manufacture and of distribution and sales in third countries. The rapid development which may result from the institution of the Common Market may well warrant consideration of this possibility.

Smaller firms which are only interested in sales should consider the appointment of a Belgian agent to handle their products; there is no difficulty in finding agents with experience in most lines, but the problem is to find the right one. The Office of the Commercial Counsellor in Brussels can help by supplying the names of prospective contacts—manufacturers, agents, etc.—and in giving advice about them. Canadian manufacturers and exporters not already represented in Belgium should not hesitate to communicate with this office. ●

## Denmark

*Rise in price of her imports as result of Suez crisis and fall in price of her agricultural exports have created problems for Denmark. Proposals for European Free Trade Area and present economic policies are being studied carefully. Purchases from Canada are remaining constant, but sales to Canada are rising.*

C. F. WILSON,  
Commercial Counsellor, Copenhagen.

LIKE OTHER EUROPEAN COUNTRIES, Denmark enjoyed an exceptionally mild winter from the standpoint of weather, but economically, it was one of the hardest winters the Danes ever experienced. Denmark is totally dependent upon imports for her oil and fuel needs and the cost of these imports and of other essential raw materials increased sharply because of the Suez crisis and consequent higher freight charges. Simultaneously, prices for Denmark's principal agricultural exports declined sharply, creating a double

reversal in her terms of trade. These developments are illustrated by the following price indices:

	March 1957	February 1957	January 1957 (1954=100)	December 1956	November 1956
Imported goods	112	113	113	112	108
Exported goods	97	96	102	109	109

All this happened at the end of a year in which the country had made good progress towards improving its foreign exchange position. The external developments reflected in the foregoing indices, however, have thwarted internal efforts to bring the economy into balance through a tight money policy. Further liberalization of trade depends upon the success of efforts to build up the foreign exchange reserves. The country had been making progress, but the events of last winter wiped out much of this improvement.

### Effects on Canadian Trade

For 1957, therefore, the prospects for Canadian trade with Denmark remain about as they were in 1956. Certain raw materials and components should continue to enjoy a good market here; at the same time, there is no immediate prospect that more finished consumer goods will be permitted entry. Canadian exports to Denmark have remained relatively static, moving up from a total of \$3.2 million in 1955 to \$3.5 million in 1956, a gain of about 10 per cent. Chief Canadian products going to Denmark are wheat, rye, flaxseed, synthetic yarns, automotive parts, copper rods, asbestos fibres, synthetic resins, drugs and chemicals.

While Canadian exports to Denmark have held a fairly even course, Danish exporters have been active over the past year in improving their position in the Canadian market. This fits in with the general drive by Danish industrialists for expanded export sales. The Government has been urging such a drive as part of its program to improve the exchange position. Danish exports to Canada, which totalled \$4.3 million in 1955, rose to \$6.2 million in 1956 for a gain of 44 per cent. Such characteristic items as cheese, baler and binder twines, furniture, light machinery and cryolite featured the advance. Danish exports to Canada also include a long list of other products with smaller individual values.

### Economic Policies Reviewed

Against the background of the deterioration in the terms of trade, the study of Denmark's economic problems has been intensified and such matters as the tight money policy are under review. On the one hand, credit restrictions over the past year have helped to mitigate the foreign exchange imbalance. The banks are pointing out, however, that if these



A Danish butter-maker removes a completed batch from the churn. Agricultural products make up about 60 per cent of Denmark's total exports but traditional markets for these products seem to be diminishing because of several factors.

restrictions are continued indefinitely they will act as a deterrent to new capital formation—and Denmark ranks low in relation to some other European countries in this regard. The slow rate of new investment has been a matter of concern to the Danish Government which has been publicizing internal investment opportunities. Apart from a search for oil now under way in Jutland and the possibility of finding mineral deposits in Greenland, there appears to be relatively little scope for the attraction of capital for developing natural resources.

### Agricultural Exports Affected

Although sales abroad of industrial products have been making headway in recent years, 60 per cent of Denmark's total exports are made up of agricultural products and it is in this sector that she is finding the going hardest. Her agricultural production is most efficient and her low-tariff policy has contributed to this. Her traditional markets for agricultural products, however, appear to be diminishing under the combination of protection and technological development which has raised agricultural production levels in Europe generally.

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For years Denmark has been active among the countries supporting the reduction of tariff barriers on a multilateral basis and the removal of quantitative restrictions. If more progress of this type could be made in the agricultural sector, Denmark as an efficient producer would prosper. The multilateral trade approach, however, has not yet been as successful in the agricultural field as the Danes would wish and now that the regional organization of European markets is under consideration, Denmark is choosing carefully the course which is most likely to keep the markets for these products open.

### Common Market Studied

This is the criterion which Denmark will use in coming to a decision on her participation in the proposed Scandinavian Customs Union and the proposed European Free Trade Area or Common Market. For some years Denmark has been promoting a Scandinavian Customs Union on the pattern of the Benelux Economic Union, but the Common Market treaty and the related Free Trade Area proposals have precipitated a thorough review of her commercial policy. The relative significance to Denmark of the Common Market and Free Trade Area as contrasted with the Scandinavian Customs Union is illustrated in the following table showing Denmark's trade with the relevant areas:

DISTRIBUTION BY AREAS OF DENMARK'S FOREIGN TRADE

Percentages of total	Imports			Exports		
	1954	1955	1956	1954	1955	1956
Finland, Norway, Sweden	14.9	14.4	14.1	11.9	14.0	13.0
European Common Market countries	36.9	37.2	35.7	21.5	27.5	29.9
United Kingdom	26.9	25.7	24.5	36.6	35.5	31.0
Other OEEC countries	3.3	2.6	3.0	3.4	3.0	3.3
U.S.S.R. and Eastern Europe	3.9	3.8	3.7	6.8	3.6	2.7
United States	5.0	7.1	10.0	7.5	7.4	7.4

This analysis of Denmark's trade reveals why she is likely to join either the Free Trade Area or the Common Market.

From the Canadian exporter's standpoint, it might be more difficult to export to Denmark if she should join the Common Market rather than the Free Trade Area, because participation in the latter would not involve an upward revision of existing Danish tariffs on goods from countries outside the Area. Although Denmark must make her choice, her final decision will undoubtedly await the results of the OEEC meeting on the Free Trade Area proposals, which may be held as early as July. ●

# Finland

*Immediate economic prospects are not too encouraging but proposed changes in import licensing procedure could expand the market for dollar goods—when the economic situation improves.*

A. P. BISSONNET,  
Commercial Secretary, Stockholm.

FINLAND'S ECONOMIC SITUATION deteriorated last year in contrast to the relative prosperity of the previous year; there has been little improvement in 1957 up to the time of writing. The general strike in March 1956 resulted in increased wages and a considerable loss in production; from that point on business did not pick up, serious inflationary pressures built up, and foreign currency reserves dwindled.

During 1956, living costs rose 17 per cent, wages 10 per cent and farm income 30 per cent, but the gross national product in real terms increased only 2 per cent against 7 per cent in 1955. The Government introduced fiscal remedies last year but these resulted in a larger financial deficit than in 1955. Contributing to the poor economic situation, the forest products industry, the backbone of the Finnish economy, had a less successful year.

## Trade Is Affected

A recession in Finland's lumber exports brought a fall in the foreign exchange reserves although this loss was counteracted to some extent by a 3 per cent gain in exports of pulp and paper. The increased imports permitted during 1956 under the automatic licensing scheme will now be curtailed to some extent (see details in *Foreign Trade*, Jan. 19, 1957). Yet even the imports necessary to keep industry going will strain the foreign exchange reserves.

In March of this year the Government announced an economic stabilization program which will affect

### FINLAND'S FOREIGN TRADE

(millions of markkas)\*

	Imports		Exports	
	1956	1955	1956	1955
United Kingdom .....	41,575	35,865	38,157	43,503
U.S.S.R. ....	28,327	26,045	34,162	31,705
West Germany .....	23,990	15,874	15,401	16,521
United States .....	13,221	9,290	11,854	10,351
CANADA .....	394	188	108	82

\*1 Finnish Markka=\$0.004154 Can.

foreign trade as well as the domestic economy. One of the proposals is to base a new import policy on a global quota system which would do away with the quotas under bilateral agreements with various countries. If this plan is adopted, it is believed that it will be less difficult for a buyer to obtain a licence to import dollar goods. The Canadian exporter should keep in mind, however, that Finland's dollar supply will remain somewhat limited until her economic situation improves.

## Prospects for Trade Limited

Finland's principal trading partners are the United Kingdom, the Soviet Union and West Germany, in that

### Finnish Exports of Forest Products, 1956

#### ● WOOD PULP

Mechanical	—186 thousand metric tons (183 thousand*)
Sulphate	—679 thousand metric tons (682 thousand)
Sulphite	—452 thousand metric tons (447 thousand)

#### ● PAPER AND BOARD

Newsprint	—537 thousand metric tons (470 thousand)
Kraft paper	—247 thousand metric tons (242 thousand)
Cardboard	—155 thousand metric tons (171 thousand)
Printing papers	—148 thousand metric tons (124 thousand)

#### ● PLYWOOD

The United Kingdom normally buys one-half of output and took an unusually large amount in 1955 (196 thousand cubic metres); U.K. purchases in 1956 were cut to 114 thousand cubic metres.

Total shipments in 1956 fell to 229 thousand cubic metres (320 thousand in 1955).

#### ● SAWN AND PLANED LUMBER

(including spars, railway ties, boxboards, and splitwood). Exports in 1956 totalled 654 thousand standards (782 thousand in 1955).

\*Figures in brackets are for 1955.

order; the United States is in fourth place with a somewhat smaller volume of trade than the first three. Under the terms of a trade agreement, the Soviet Union supplies most of Finland's needs for wheat, oil, sugar and coal; her exports to Russia consist of ships, engineering equipment and pulpwood. Shipments to the United Kingdom and Western Germany are mainly timber and pulp and paper, in exchange for a wide variety of manufactured products.

Canadian trade with Finland has never been large and the balance has been traditionally in Canada's favour. If general economic conditions and particularly the Finnish foreign exchange position improve, the market for many Canadian products could be expanded. Some chemicals, raw plastics, medicinal preparations, and sporting goods are a few of the products we might sell, in addition to some of our basic exports.

Exporters interested in the Finnish market should explore the possibilities for private transit transactions whenever their Finnish customers find it difficult to obtain foreign exchange for direct trade. The import licensing policy is being changed at the moment but the exporter can assume that only a limited amount of dollar exchange will be available in the immediate future. ●

## France

*Rising imports and falling exchange reserves made special measures necessary to curtail foreign purchases. French authorities attempting not to disturb flow of Canadian raw or base materials, which represent 80 per cent of our sales to France.*

R. CAMPBELL SMITH,  
*Commercial Secretary, Paris.*

THE BOOM IN THE FRENCH ECONOMY, now in its fourth year, continues at an accelerated pace. Each of the twelve key industries recorded substantial increases again in the first quarter of 1957, with the over-all index of production in March rising to 146 from 132 for the whole of last year (1952=100). Every major sector of industry shows gains in output.

This economic expansion up until the third quarter of last year appeared free of any serious menace from inflation, provided rising internal demand continued to

be satisfied by increased imports. The administration maintained a policy of facilitating imports even in the face of considerable exchange losses arising from the Suez crisis and from frost damage to wheat and other domestic crops early in the year. By the last quarter of 1956 the administration became aware, however, that the trade deficit was in danger of increasing more rapidly than exchange reserves would permit. Imports in 1956 rose 24 per cent, but exports declined by 6 per cent. A deficit equivalent to over one billion dollars was incurred as against a comfortable surplus the previous year.

### Import Controls Intensified

A careful study of import programs, estimated requirements and foreign exchange availabilities subsequently resulted in a decision to modify the policy of relieving the pressure of demand by maintaining imports. Dollar and gold reserves, at about \$1,000 million, were at almost half the level of a year earlier.

In January of this year, quotas for goods subject to import control began to be reduced. On March 15, further and more severe measures were adopted. These consisted of cutting the validity of import licences from six months to three months, obliging importers to make a deposit of 25 per cent on taking out import licences, and applying a 15 per cent temporary compensation tax on practically all liberalized imports. (This compensation tax, payable after customs duties, had hitherto not been applied on all liberalized imports and ranged from 7 to 15 per cent.) The list of dollar goods freed from import controls (see *Foreign Trade* January 21, 1956), remained unchanged. Such liberalized goods are, however, affected by the deposit as well as the compensation tax provisions.

The curtailing of imports will undoubtedly have some repercussions on the economy since, to an important degree, France's normal imports consist of raw materials vital to her expanding industries. Almost all of her fuel and three-quarters of her raw materials come from outside the franc zone—for example, oil (95 per cent), coal (25 per cent), sulphur (90 per cent), pyrites (70 per cent), rubber (75 per cent), cotton (90 per cent), wool (80 per cent), and almost all of her non-ferrous metals and ores. Fuel imports were up \$230 million last year over 1955 and raw materials \$209 million. During the first quarter of this year, compared with the same period in 1956, fuel imports were up \$120 million and raw materials \$72 million. Capital equipment, incidentally, also rose by \$88 million and \$32 million in these periods.

### Test Period for French Imports

France has been drawing on her gold and dollar reserves to pay for her imports and these reserves have been declining sharply. In trade with countries out-

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side the franc zone, French visible exports paid for only 65 per cent of imports during the first quarter of this year. The backlog of import licences outstanding has—as of March 15 when the new import restraints were applied—been such that the trade deficit rose still higher in April. A levelling-off is expected in May and the first downturn probably in June.

Foreign loans would normally be the answer to the immediate exchange difficulties. However, the French Government, which has recently borrowed from the International Monetary Fund and a New York bank consortium and has just been granted additional EPU credits, is cautious about increasing its external obligations at this time. The French administration is therefore using every means at its disposal to keep imports in hand and bring its overseas trade back into balance. As far as it is possible to do so, the Government will seek to maintain the present high level of industrial output. Industry is being called upon to draw on existing raw material stocks and to spread out overseas buying. Companies producing for export will be given priority and new measures to encourage exports may be considered.

In the meantime, French manufacturers who require foreign raw materials must prove their entitlement on the basis of a new and more exacting scale of priorities. Since March 15, with import licences valid for three months rather than six, many present holders of licences no longer have the same assurance that they will receive subsequent authorizations. Coupled with this situation is the importer's problem of financing—under tightened bank credit—the 25 per cent advance deposit on the value of the foreign goods he has on order. Thus some importers may well wish to seek special accommodation from their overseas suppliers. This is also the case with certain importers whose prospects of securing import licences may be governed by whether the transfer of funds must be made in the next two to three critical months or not.

### **Canadian Position**

The characteristics of Canada's export trade with France have been dealt with in previous articles (*Foreign Trade*, February 16 and March 16, 1957). Eighty per cent of our exports consist of our traditional raw or base materials, such as synthetic rubber, copper, pulpwood, asbestos, wood pulp, flaxseed and plastics. Apart from these, we export newsprint, agricultural machinery and wheat. Fundamentally the outlook for the continuation of sales in this market is good. The evidence is that French users wish to maintain these imports and that, in the interests of the country and its economy, the French authorities would wish to avoid disturbing this flow.

The test period will be May, June, and possibly July. Until it is over, it is inopportune to make predictions about the probable course of dollar exports to this country. ●

## **Greece**

*Confidence in the drachma has been strengthened, and funds for developing trade, agriculture and industry now easier to obtain. Imports reached a record in 1956 and exports also increased. Canadian exports down last year, partly because some commodities which Greece buys were in short supply.*

A. B. BRODIE,  
*Commercial Secretary, Athens.*

**BUSINESS CONDITIONS IN GREECE** at the end of 1956 were somewhat better than during 1955. The year was highlighted by an over-all improvement in bank deposits, a more stable currency, and easier bank financing facilities for industry, agriculture and export trade. Although invisible receipts from foreign currency remittances (emigrants, shipping and tourists) and other sources were \$33 million better than in 1955 (\$180 million), imports reached a new high of \$464 million. This resulted in an adverse balance of payments on current account which was more than covered by \$81 million of U.S. aid of all types. Foreign exchange and gold holdings of \$194.7 million were about the same as the \$189.1 million of 1955. Prices held fairly steady during the year and the closing of the Suez Canal had little influence on the wholesale index, which was up by 4.7 per cent at year's end. Europe's newly-endorsed Customs Union and a Free Trade Area which may follow have been discussed in detail by the Greek authorities in Athens and before fellow OEEC members in Paris.

### **Confidence in Drachma Increased**

The major feature of monetary and credit development in 1956 was the sharp increase in bank deposits—more particularly in small savings—following the increased interest rates announced during the year. Briefly, the interest rates on savings deposits up to 100 thousand drachmas were increased from 7 to 10

per cent; on deposits between 100 thousand and 200 thousand they were set at 8 per cent. These increased interest rates have stepped up the number of persons having deposit accounts from 95,000 in 1955 to over 175 thousand in 1956 and strengthened confidence in the drachma (US\$1=30 drachmas) and in the Greek economy as a whole. Bank deposits reached Drs. 6,927 million at the end of 1956 (Drs. 4,799 million in 1955) and rose to Drs. 7,614 million during the first quarter of 1957.

Almost 20 per cent of the total increase in bank credit of Drs. 3,100 million between the end of 1955 and 1956 was channelled as long-term financing to agriculture; the remainder was allotted as short-term credit equally among agriculture, industry and commerce. In his annual report for the year 1956, the Governor of the Bank of Greece remarked that the substantial rise in loans to industry had led to a decline in the dependence of manufacturers on non-banking loans on extreme terms and had created a more normal financial structure in industry. It is interesting to note that the loans on the open market, on which interest rates were as high as 27 per cent per annum during the first part of 1956, are in less demand as a result of an improved Greek money market.

Of particular interest to Canadian suppliers is the recent decision (April 12, 1957) taken by the Greek Currency Committee on the discounting of drafts resulting from the sale of agricultural machines, trucks, refrigerated trucks or buses, and diesel engines. To increase agricultural production and to facilitate the sale of equipment to the farmers, the Currency Committee allows 70 per cent of the value of imported agricultural equipment to be paid off over 36 months through the commercial banks. There is reason to

believe that this list will be added to during 1957 if general business conditions continue to improve.

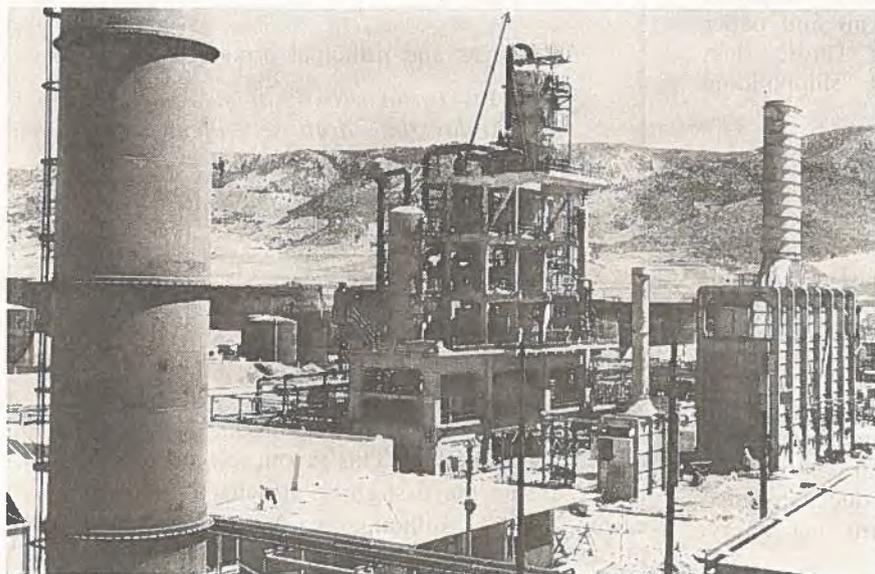
### Investment Program

Greece's economic development program which is financed from state resources, loans and aid counterpart funds was fixed at a record Drs. 2,470 million (\$82 million) for 1957 compared with \$97 million for the previous 18 months. The program is intended to improve the balance of foreign payments by increasing exchange earnings or by saving foreign exchange. It also aims at reducing the noticeably high unemployment and under-employment figures in the country today.

The main investment projects under development valued at some \$137 million and to be financed with Greek and foreign capital include:

- Oil refinery (State—\$20 million)
- Ptolemais lignite mining (State—\$20 million)
- Ptolemais thermo-electric station (State—\$15 million)
- Megdova hydro-electric power station (State—\$18.9 million)
- Nitrogenous fertilizer plant (State—\$30 million; tender pending)
- Kozani asbestos deposits (Private—\$8.3 million)
- Olympic airlines (Private—\$15 million)
- Shipyards (Private—\$8.6 million)

Public tenders were called on the state projects mentioned above during the past year. Participating firms in these development schemes include: Hydrocarbon Mineral Oil, oil refinery; Brown Boveri & Co., Ptolemais thermo-electric plant; Omnium Lyonnais & Coteci, Megdova hydro-electric plant; Kennecott Copper Corporation, Kozani asbestos deposits; Stavros Niarchos, shipyards; Aristotle Onassis, Olympic Airlines; Bodossakis-Krupps, Ptolemais lignite deposits.



*International tenders will soon be invited for the operation of this oil refinery at Aspropyrgos, near Athens, expected to be completed in October. Built by a German firm and associated companies, it will produce up to 3.5 million metric tons of various fuels and gases—enough to meet current Greek needs.*

The liberalized import regime which was first introduced in 1953 continues to make Greece a very competitive market. Improved foreign exchange earnings and remittances, easier bank financing facilities, and a stepped-up investment program have all contributed to the record imports of \$464 million in 1956 (\$382 million and \$330 million in 1955 and 1954 respectively). During the first quarter of 1957, imports, at \$122.6 million, were about 10 per cent above the corresponding period in 1956. Exports, on the other hand, increased by only \$7 million to \$190 million at the end of 1956, giving Greece the largest trade deficit since 1951.

With the exception of wheat (supplied entirely under U.S. aid), flour, certain agricultural implements and machinery (including certain sizes of pumps and a handful of luxury items), all other products can be and are being imported into Greece free of import restrictions. The United States, West Germany, the United Kingdom and Italy continue to hold their places as the most important suppliers of the bulk of Greek requirements.

	1956 (in \$ million)	1955
United States .....	78.1	69.9
West Germany .....	74.0	64.2
United Kingdom .....	70.0	42.4
Italy .....	42.0	43.8
Canada .....	2.5	4.3

**Chief Imports and Sources**

Greece's main imports include the following: livestock and fishery products (\$30 million); agricultural products (\$45 million); sugar (\$9-\$10 m.); hides and leather goods (\$5.5 m.); forest products (\$15 m.); minerals (more than \$50 m.); metals and metal items (\$70 m.); scientific instruments, watches and musical instruments (total of \$15 m.); chemicals and pharmaceuticals (\$30 m.); newsprint and paper (\$12 m.); thread and textile fibres (more than \$40 m.); vehicles and parts (\$3 m.); shipbuilding supplies (about \$13 m.).

Imports from the European Soviet bloc represent a very small percentage of Greece's total purchases (about 3.4 per cent in 1955 and 4.6 per cent in 1956). None the less, Eastern European bloc countries have gained an important foothold in this market. Czechoslovakia has supplied an appreciable quantity of tractors, Hungary harvester combines, and Rumania lumber and oil.

Greek imports from the U.S. continued to be made up principally of wheat (almost 400 thousand tons in 1956) and other U.S. surplus agricultural commodities paid for in aid funds. Other U.S. products included industrial, mining, petroleum and farm machinery, chemicals, tallow and pharmaceuticals.

*Greece has a liberalized import regime for practically 97 per cent of her imports.*

● **RESTRICTED IMPORTS INCLUDE:**

1. *Certain agricultural equipment, miscellaneous machinery, pumps, diesel and semi-diesel engines up to 20 h.p., boilers for central heating, woodworking machinery, hand-operated sprays.*
2. *Matches, salt, playing cards, saccharin and kerosene are regarded as monopoly items and are imported and marketed exclusively by the Ministry of Industry.*
3. *Flour and wheat require special approval of the Greek Ministry of Commerce. (Note: Durums are purchased under international tenders and bread wheat is imported exclusively from the U.S.)*

● **GREECE SEPARATES COMMODITIES UNDER SPECIFIC LISTS** *according to the nature of the product and its importance to the economy. These "lists" have a bearing on:*

1. *How payment is to be effected by the importers, and*
2. *The amount of cash guarantee—varying from 15 to 100 per cent—which the importer must deposit with the Bank of Greece at the time of receiving an import permit.*

The lists and principal products are:

List P—*Terms: No cash guarantee required. 180-day time draft settlement terms (after arrival of goods).*

*Products: tallow; flaxseed; raw hides; lumber; refractories; special steels;*

Greek exports benefited from higher prices and reached \$190 million in 1956 (\$183 million and \$152 million in 1955 and 1954). This favourable trend was maintained during the first three months of this year with earnings at \$71 million, some 30 per cent higher than in the corresponding period in 1956.

## Regulations in Greece

hand tools; knitting machine needles; copper, nickel and aluminum ingots and bars; battery separators; components of household electrical appliances; chemicals, pharmaceuticals (except patent medicines); wood pulp, paper for manufacture of paper bags, cigarette paper, books, newspapers; synthetic rubber; nylon yarns; tires and tubes; auto spare parts; plastic raw materials.

Machinery and spare parts, including agricultural machinery, exceeding a value of \$5,000 C.I.F., may be imported on time draft terms up to 15 months.

List F—Terms: no cash deposit required. Letter of credit or C.A.D.

Products: codfish, herring, grains, pulses, potatoes, newsprint.

List F50—Terms: 50 per cent cash deposit required. Letter of credit or C.A.D.

Products: canned meats and fish, butter, salmon roe, upper leather, staves for barrels, floorings, copper and aluminum sheets, pipes, radio sets, varnishes and paints, plastic goods.

List F100—Terms: 100 per cent cash deposit required. Letter of credit or C.A.D.

Products: whisky and other spirits, space heaters, cutlery, imitation jewellery, aluminum goods and utensils, household electrical appliances, lenses, rubber goods, textiles, toys and dolls, trucks and motor vehicles.

List A—(Ultra luxury list): furs and furskins (except fur scraps), precious stones,

jewellery, gold and silver and products thereof, perfumes and cosmetics, silk textiles.

Special permits are required, which are currently granted because of the favourable foreign exchange situation. Terms: irrevocable letter of credit only.

List F15—Terms: 15 per cent cash deposit required. Letter of credit or C.A.D.

Products: this list covers all products not shown on foregoing lists "P", "F", "F50", "F100" and "A".

- GREECE REQUIRES HEALTH CERTIFICATES for plants, seeds, live animals, meats, hides and skins imported into the country.

Pharmaceuticals and specifically patented medicines require the prior approval of the Supreme Health Council of the Greek Ministry of Social Welfare before being placed on the Greek market.

- IMPORTANT PUBLIC TENDERS ARE CALLED IN GREECE

Imports are effected both through normal private trade channels and state agencies. The latter make their purchases on the basis of international calls for tenders. Certain commodities such as wheat, seed potatoes, beehive foundation, chemical fertilizers, insecticides, and monopoly items (see above list) are imported only by the State and its agencies.

In state supply tenders, a tolerance of up to 30 per cent on the C.I.F. value is granted to local industry over foreign suppliers. In the case of metals and metal products, this tolerance reaches a maximum of 35 per cent.

## Greek-Canadian Trade Declines

The marked falling-off in Canadian shipments to Greece from \$4.3 million in 1955 to \$2.5 million this past year was in part the result of a tightening-up of the Canadian supply position for certain products,

keener European competition, and the unwillingness of Canadian firms to meet the generous payment terms which foreign suppliers are currently offering.

Although there were smaller sales of flaxseed, tires and tubes, upper leather, codfish and copper tubing, it is

encouraging to note that Greece's 1956 imports (DBS statistics) of the following Canadian products increased over 1955: fur skins by \$145 thousand, primary and semi-processed aluminum by \$109 thousand, iron and steel rods and bars by \$62 thousand, beehive foundation by \$51 thousand, electric washing machines by \$34 thousand, space heaters by \$23 thousand, synthetic resins by \$22 thousand, fish roe by \$21 thousand, drugs and chemicals by \$16 thousand, canned salmon by \$17 thousand.

Greek exports to Canada, according to Greek statistics, showed a further slight improvement in 1956, rising to \$256 thousand (\$245 thousand in 1955). The pattern of trade remained almost the same, with olives and olive oil, tobacco, wines and brandy, preserved nuts and fruits, and sponges the principal commodities. New Greek exports to Canada included cheese, salted fish, fur skins sewn together from imported scraps, and handicrafts.

### **Business under Public Tenders**

Apart from ordinary private trade, some important business is placed through public tenders of State agencies, public utility companies, co-operative organizations and municipalities. These tenders afford an excellent opportunity for Canadian firms to get a foothold in the Greek market. Products imported in this manner include capital equipment, basic foodstuffs, agricultural supplies and finished products. Seed potatoes, snow blowers, chemical fertilizers, beehive foundation and non-ferrous metals have all been sold to Greece in recent years by Canadian suppliers through public tenders. All foreign suppliers have equal opportunity to compete for these public tenders, and purchases are normally financed through letters of credit. Certain types of capital equipment, on the other hand, are obtained on long-term credits. There are many active, responsible Greek firms who are well placed to assist Canadian suppliers who wish to participate in trade through tenders.

### **Outlook for Canadian Trade**

Canadian sales prospects in this market over the next twelve months should not differ materially from 1956. The volume of Canadian sales to Greece during 1957 will depend largely on the Canadian supply position for such commodities as chemical fertilizers, wood pulp and newsprint and on the ability or willingness of Canadian suppliers to meet the stiff European competition and to offer credit terms comparable to those granted by most foreign suppliers. A planned revision of the Greek tariff structure with the aim of offering somewhat more protection to local industries may limit total overall imports into the country and present an added obstacle to Canadian trade.

The year 1957 may conceivably be one of increased United States aid to Greece and one of important long-term credits—possibly as high as DM400 million—from West Germany. Increased industrial activity and improved crops have already been reported at the end of the first quarter and there is every reason to believe that the Greek economy will continue strong enough to withstand any unforeseen mild economic strains and stresses for the remainder of the year. ●

## **Ireland**

*Special Import Levies on some goods which Canada ships to Ireland have been removed, following a marked decrease in the adverse trade balance last year. The economic situation appears somewhat better than a year ago but certain problems remain.*

H. A. GILBERT,  
*Commercial Secretary, Dublin.*

A DOWN-TREND IN THE TRADE DEFICIT which continued to decline during the early months of 1957 has been the outstanding change in Ireland's economic situation. The Special Import Levies imposed in March and July of last year were to a large extent responsible for this, although they also caused some unemployment. Commodities subject to this duty included domestic washing machines and refrigerators, musical instruments, clocks and watches, wearing apparel (with some exceptions), toys and sporting goods, fountain pens, pencils and jewellery, soups, fruit and vegetable juices, tinned fruits and fish, dressed and undressed furskins, road motor vehicles, plastics, certain office machines, cereal products and paperboard.

The new Fianna Fail Government which recently took office has removed the taxes on certain commodities and also revoked consumer credit restrictions which were imposed in March 1956. Large-scale emigration continues and is considered a severe threat to the country's future welfare.

The over-all adverse trade balance last year fell to £14.4 million as against £35.5 million in 1955. Receipts included £35.2 million gross from tourists,

an increase of over £3 million. Income from investments abroad amounted to £26 million, which exceeded by £10 million what Ireland paid out to foreign investors in the Republic. Capital investment abroad totalled £37,752,000 last year compared with £56,539,000 in 1955; changes in net external assets were the main cause of this decrease.

Ireland is a member of the sterling area and its currency is linked by statute at par with the British pound sterling. As a member of the sterling area, its current foreign exchange receipts flow into the sterling pool in London and it draws its current needs for foreign exchange from the same source. Ireland did not restrict the use of dollars as a result of the Suez crisis but dollars for general purchases were not as readily available. Rationing of gasoline and oil was introduced last January but now that oil supplies are satisfactory it has been dropped. The broader effects of the crisis on the sterling area reserves are gradually being repaired.

### **Production, Prices, Government Spending**

Industrial production last year declined somewhat from 1955; the Volume of Production Index for commodities (base 1953=100) fell from 112.6 in the last quarter of 1955 to 101 in the corresponding quarter of 1956. The cost of living continued to rise in 1956, mainly because of an additional duty which the Government imposed on certain imported consumer goods from all sources. The Consumer Price Index (base mid-August 1947=100) levelled off at the end of 1956 but has since risen a further point to reach 135 compared with 132 for the first quarter of 1956. Government capital outlays are also an important factor in the economy.

Exchequer returns for the financial year ended March 31, 1957, showed that revenues for the year totalled £117.6 million, but expenditures reached nearly £135.6 million. Ordinary customs duties brought in £40.8 million and the Special Import Levies netted close to £4.3 million. During the year the Government floated two national loans: one was for £20 million at 5 per cent interest and the other for £12 million at 5½ per cent interest. Recently the first issue of Prize Bonds was successfully launched and 248,900 investors subscribed £5.44 million.

### **Electricity and Mining**

Production of electricity continued to expand last year and the average monthly production reached 137.53 million kwh. A new station at Ringsend, Dublin, designed to use coal or oil, went into full commission in November and a new peat-fired station in County Clare in October; three other stations fired with hand-produced peat are expected to be completed shortly.

The Canadian mining developments in Ireland involving mainly copper, lead and zinc have attracted considerable interest and the Government has granted certain tax concessions to stimulate exploration and development work. Canadian mining machinery and parts valued at £19,900 entered Ireland last year for these projects.

### **Air Transport Agreement Signed**

In August a revised Anglo-Irish air transport agreement was signed in Dublin providing for increased participation of British companies in transport between the two countries; new continental routes have also been inaugurated. It is proposed to build an airport about four miles south of Cork from which airlines will operate passenger and freight services first to London, then later to other cities in England and on the Continent. Expansion of Shannon Airport is also planned to meet the needs of large jet-engined aircraft. The rail system in the Republic has almost completed its conversion to diesels and passenger and freight services have improved.

### **Crop Production Declines**

Poor weather during the summer and fall last year reduced production of field crops. There was also an over-all decrease of 7.3 per cent in the acreage sown to grain last year compared with 1955; seeding totalled 1,104 thousand acres. Wheat at 339,600 acres represented a decrease of 5.1 per cent, although the barley acreage increased by 10.8 per cent. The area under root and green crops also declined slightly.

On June 1, 1956, the estimated cattle (4.5 million), sheep (3.4 million) and poultry (16.3 million) populations were all higher than at the same date in 1955, but the number of pigs (747,100) represented a decline of 51,700. An outbreak of swine fever last September cost the Government more than £80,000 in compensation to owners of pigs which had to be slaughtered. Creamery butter production increased; the monthly average rose to 71.7 thousand cwt. compared with 62.6 thousand cwt. in 1955. Total creamery butter output for the year reached a record 860 thousand cwt. and exceeded by 24,000 cwt. the previous record of 1936.

Cattle exports increased to 675 thousand head during 1956 as against 619 thousand head in 1955; Great Britain, which is Ireland's most important market, took 445 thousand head, 9 per cent fewer than it did the year before. Continental markets, particularly France and the Netherlands, proved to be more attractive to cattle exporters; they bought 27,000 and 18,000 head respectively. (In 1955 France did not import cattle from Ireland.) The future for cattle shipments to Great Britain depends on the continued progress

of the bovine T.B. eradication plan in the Republic; certain areas in Great Britain are now closed to non-attested Irish cattle.

### Imports Fall

The large 1955 commodity trade deficit of £94.0 million declined to £73.5 million last year, mainly because imports fell to £180.9 million from £204.3 million. Exports also dropped—to £107.4 million from £110.3 million in 1955. Shipments from the U.K. totalled nearly £102.9 million last year and the other important suppliers were the United States, £13.6 million; West Germany, £7.9 million; the Netherlands, £4.8 million; Canada, £4.6 million; Finland, £3.8 million, and Sweden £3.5 million.

Irish exports to Britain in 1956 dropped by some £10 million from the previous year to £85.4 million; France received £3.6 million, the United States, £3.1 million and West Germany, £2.3 million. Shipments to Canada valued at £430 thousand showed some improvement.

Exports from Canada to Ireland which totalled about £4.6 million last year represented a decline of nearly £2.2 million from 1955, in spite of the preferential tariff.

Chief commodities entering into the trade were wheat and newsprint, which together accounted for £3.1 million. Other commodities were lumber, undressed cattle hides, chemical wood pulp, motor chassis components, oilseeds, and sulphate of ammonia. Some of these commodities were purchased in smaller quantities than in 1955, notably wheat and lumber. The fall in lumber imports results from a slump in the building trade; the drop in wheat sales was partly balanced by barley purchases. Imports of seeds for sowing, as a whole, were down although red clover seed and flax for seed were in greater demand.

There is a good market for canned foods in Ireland but the Special Import Levies continue to curtail imports of this type at present; imports of canned fruits fell from £14.2 thousand in 1955 to £6.5 thousand in 1956 and canned salmon purchases fell from £57.8 thousand to £2.4 thousand—although part of the reason was that salmon was short in Canada. Sulphate of ammonia did not appear at all in 1955 trade but amounted to £10.7 thousand in 1956.

The Special Import Levies were imposed in March of last year and a list of goods published on which they applied. The duties were 25 per cent ad valorem for the preferential rate (the United Kingdom and Canada) and 37½ per cent ad valorem for all others, including Commonwealth and full-rate countries. In July the Government increased the duty to 40 per

cent for the preferential rate and 60 per cent for the Commonwealth and full rate, with more commodities added to the list at 25 per cent and 37½ per cent respectively. The complete list to which these new duties were applied included only those goods which could be described as luxuries or ones produced locally.

The levy has recently been removed from a number of goods. Among the commodities freed which figure in imports from Canada are spices, dressed and undressed furskins, toilet paper, imitation parchment, artificial plastic material in rolls and sheets, beeswax and vegetable waxes.

Woollen and worsted woven fabrics, wool, cordage, cables, ropes and sisal floor coverings were the chief commodities which Ireland sold to Canada last year. ●

## Italy

*Italy offers a growing market for Canadian raw materials and semi-manufactured products. Her foreign trade reached a record high last year and the balance-of-payments position has improved.*

S. G. MacDONALD,  
*Commercial Counsellor, Rome.*

A STEADY UPWARD CLIMB characterized the Italian economy in 1956; gross national product rose to 14,000,000 million lire from 12,900,000 million lire the year before. Half of this increase, however, was the result of rising prices and the rate of growth in real terms was some 2 per cent less than the 1955 rise over 1954. Agriculture last year suffered losses from the severe winter of 1955-56 and income from the sale of farm products fell 3 per cent from the banner year of 1955. On the other hand, the gross output for industry rose 7 per cent last year and most other sectors of the economy recorded gains. Wage increases in 1956 generally exceeded the overall price rise of 5 per cent and with the inflation threat appearing to taper off this year, there may be some improvement in living standards.

Unemployment and under-employment continue to be major problems with which the Vanoni Plan for economic expansion and the Plan for the South are

## Foreign Trade of Italy—OEEC Classification

(In millions of U.S. dollars)

	IMPORTS			EXPORTS		
	1954	1955	1956	1954	1955	1956
<b>(A) NON-PARTICIPATING COUNTRIES</b>						
<i>Western Hemisphere</i>						
United States .....	298.5	405.0	519.8	128.4	159.4	290.8
Canada .....	17.3	29.0	39.2	12.1	16.2	22.9
Argentina .....	34.8	68.6	113.7	35.2	57.6	48.9
Others .....	100.7	113.7	139.6	122.0	130.5	146.0
<b>Total</b> .....	<b>461.3</b>	<b>616.3</b>	<b>771.8</b>	<b>297.7</b>	<b>363.7</b>	<b>427.6</b>
Sterling Area .....	360.0	356.1	397.8	124.3	103.6	147.2
Eastern Europe .....	63.3	67.0	74.4	57.3	57.1	69.2
Others .....	257.2	262.1	327.0	201.8	262.1	297.6
<b>Total Non-Participating</b> .....	<b>1,131.8</b>	<b>1,301.5</b>	<b>1,571.0</b>	<b>681.1</b>	<b>786.5</b>	<b>941.6</b>
<b>(B) PARTICIPATING COUNTRIES</b>						
<i>Sterling Area</i>						
Metropolitan .....	169.0	150.6	176.0	133.8	138.7	143.1
Territories .....	133.5	160.4	193.9	55.9	54.2	55.2
<b>Total</b> .....	<b>302.5</b>	<b>311.0</b>	<b>369.9</b>	<b>189.7</b>	<b>192.9</b>	<b>198.3</b>
<i>Non-Sterling Area</i>						
Metropolitan .....	941.4	1,026.4	1,135.4	722.7	825.3	960.3
Territories .....	63.7	72.8	93.2	45.0	52.0	56.9
<b>Total</b> .....	<b>1,005.1</b>	<b>1,099.2</b>	<b>1,228.6</b>	<b>767.7</b>	<b>877.3</b>	<b>1,017.2</b>
<b>Total Participating</b> .....	<b>1,307.6</b>	<b>1,410.2</b>	<b>1,598.5</b>	<b>957.4</b>	<b>1,070.2</b>	<b>1,215.5</b>
<b>TOTAL TRADE</b> .....	<b>2,439.4</b>	<b>2,711.7</b>	<b>3,169.5</b>	<b>1,638.5</b>	<b>1,856.7</b>	<b>2,157.1</b>

mainly concerned. Emigration and economic development enable Italy to keep pace with the 300 thousand people who are added to the labour force each year but there are still two million unemployed and 1.5 million who are under-employed.

### Output of Industry and Agriculture

Industrial output rose in value from 5,120,000 million lire in 1955 to 5,593,000 million lire in 1956; the comparative indices (1938=100) were 197 and 212. Increased output of capital goods paced the industrial advance. Steel output at 5,908 thousand metric tons and pig iron at 1,873 thousand tons set new records and ferro-alloys, hot rolled steel, and finished products (including shipping and motorized units) all made important gains. The mining, chemicals, paper, construction, and food processing industries also reported higher production. The textile industry after a slump of several years showed promising signs of recovery.

The agricultural sector of the economy fared less well and surplus wheat stocks are creating a problem. Last year Italy's soft wheat crop was smaller than in 1955 but, when combined with the carryover, it raised the surplus to more than 2.5 million tons. The outlook for the 1957 wheat crop is for an even larger

one than the 1955 record. In the past six months Italy has exported 400 thousand to 500 thousand tons of her soft wheat on a barter basis to various countries but chiefly to France, Germany, and the Middle East, and imported durum wheat for making "pasta". Italy buys about 400 thousand tons of this type of wheat a year.

Combined field crop production last year declined to 8,681 thousand tons from 9,506 thousand tons, although output still exceeded the near-failure year of 1954 by 15 per cent. Some fruit crops suffered losses but the important olive-growing industry received a disastrous blow from the severe winter of 1955-56, described as the worst in three centuries, and full recovery will take years.

### Transferable Lira Introduced

Both export and import trade rose to record highs in 1956 and the balance-of-payments position was reasonably satisfactory at the end of the year. The "transferable lira" was introduced in mid-year and this enabled Italians to pay for goods (under some circumstances which do not apply to trade with Canada) in free lire and EPU multilateral lire. Foreign

investors responded to the liberalized foreign investment law and nearly \$50 million in new capital flowed in before the close of the year. Looking to 1957, Italians anticipate a further strengthening of their economy and a steady movement upward in the years ahead. This trend should have a favourable effect on trade between Canada and Italy.

### **Trade Achieves Record**

Import and export figures for 1956 were impressive. Imports totalled U.S.\$3,169.5 million in value and exports U.S.\$2,157.1 million. At the same time the unfavourable balance of trade increased to U.S.\$1,012.4 million in 1956 as against U.S.\$855 million the year before.

The deficit in foreign trade, as is in previous years, was mainly covered by receipts from tourists (nearly 13 million foreigners visited Italy in 1956, including 700 thousand from the United States and 100 thousand from Canada), capital transfers, freights, charters, economic aid and other sources. These covered not only the deficit on current account but also met payments on capital account. Details of Italian trade by areas, including comparative figures for Canada, appear in the table on page 21.

### **Exchange Reserves Rise**

For the year as a whole, the balance-of-payments position was reasonably satisfactory; Italy was able to reduce its deficits with the EPU until the last quarter when, as in previous years, there were seasonal increases. The total deficit at the end of the year reached U.S.\$624.6 million but the reduction of the EPU deficit in the earlier months more than compensated for a smaller surplus in transactions with the dollar area. Even with decreased dollar earnings, Italy throughout the year continued to add small but significant amounts to her gold and convertible foreign exchange reserves; at the end of the year these totalled about U.S.\$1,100 million. Exchange reserves at the end of 1956 were thus somewhat higher than at the end of 1955, despite some reductions in the latter months of the year.

### **Increased Trade with Canada**

Imports into Italy in 1956 from the United States advanced 28 per cent over 1955. Purchases from Canada rose more than 25 per cent and more than doubled those of 1954; exports from Italy to the United States increased about 30 per cent, to Canada by nearly 40 per cent. Italy liberalized her dollar import restrictions in the late summer of 1954 and again in April 1956 and her exports, together with other earnings, helped to increase her dollar holdings; as the table shows, she was able to step up imports from dollar countries.

Canadian exports to Italy totalled \$37,744,321 (DBS statistics) last year, an increase of more than \$10 million from the previous year; wheat shipments reached \$11,428,673, and accounted for more than half of the over-all expansion. Other important products such as salted cod and canned salmon declined somewhat. Metals (especially primary aluminum, scrap iron, and nickel), drugs, chemicals and petrochemicals, asbestos, linseed and rapeseed, lumber and wood pulp were again important commodities in our trade; sales of most of these were maintained or increased last year.

Italy is essentially a market for raw and semi-manufactured products as far as Canadian exporters are concerned. Broader opportunities for Canadian manufactured goods are not likely to develop until Italy relaxes further her restrictions on dollar imports.

### **Italy Pushes Dollar Sales**

The Italian Government and private industries have sustained a vigorous export drive over the past several years, especially in the dollar countries. The effect of this export drive on the value of shipments to Canada and the United States shows up clearly in the figures in the table.

Imports into Canada from Italy in 1956 totalled \$24,966,912, (DBS figures) a new record, and almost one-third higher than the total of \$18,501,730 reached in 1955, the second highest year. Italian sales to Canada include a wide variety of goods. Although the amounts for many products are small, most of them increase modestly each year. The most important classes of products in Italy's exports to Canada include worsteds, a wide variety of silks and manufactured textile products, some fruits, vegetables and nuts, wines, cheese, iron and steel pipes and tubes and other steel products, machine tools, sewing machines, business machines, brass valves and other brass manufactures, mercury, manufactures of aluminum and asbestos, marble, drugs and chemicals, musical instruments and numerous other miscellaneous products, especially artisan goods and handicrafts.

With Canada's economy expanding, Italy should steadily increase her sales here and cut her trade deficit with this country; this and other factors should help Canadian exporters expand their sales to Italy. An examination of the balance-of-payments position between the two countries in 1956 shows that equilibrium is close at hand. In addition to the expanded exports to Canada, Canadian tourist travel in Italy, the remittances home from a large number of Italian immigrants in Canada, ship charters and freight, among other invisible items, have helped to improve Italy's balance-of-payments position with Canada in the past year. This trend should continue. ●

# How to Sell in Europe

*The European market varies widely from country to country but certain broad sales principles hold true in each. The author outlines some of these principles and illustrates them by drawing on his own experience in selling food products to Britain and to Western Europe.*

A. C. BORNEMISA,  
*Export Sales Manager, Canadian Cannery Limited.*

TO THE PROSPECTIVE CANADIAN EXPORTER looking for markets in Europe I would recommend starting with intensive market research—an investment that will save him time and money in the long run. But before he begins this survey, the exporter should be certain that he is interested in building up a steady export business, that he has quality products to offer, and that his production facilities are adequate to satisfy the prospective market demand. He should also be prepared to make certain concessions in profits by quoting introductory prices and by adapting the styling and packaging of his products to European requirements.

For his survey he should select one or several of the European countries in which he believes he will encounter the least resistance. By this I do not mean only sales resistance but also currency and import restrictions. There are certain countries—such as Switzerland, Sweden and Belgium—which impose few or no restrictions on imports.

In certain cases, however, it is an advantage to start a sales campaign in a market with limited possibilities but with a demand for the exporter's products. Of course once he has consolidated his position in the initial markets, he will have an opportunity to extend his operations to other territories. He should, however, study the nature of the market restrictions. Some of them result from dollar shortages and are bound to be eliminated gradually. Others arise from protectionist tendencies and are bound to remain effective for a longer period. The number of restricted areas is continually decreasing and since the establishment of the European Payments Union, even the most controlled economies are making plans for the convertibility of their currencies.

Once the businessman has selected his first European "trial market", he should consider making a personal visit to the area. But before he sets out he should study the geographical, economic, historical and other aspects of the prospective market. After his arrival he should start his interviews with the Canadian Trade Commissioner and with the local correspondents of his Canadian banking connections. He will find these people most co-operative and through them will be able to contact members of the local trade to find out the reaction of the prospective customer to his export plans. He should pay careful attention to the opinion of his prospective customers about the practical use, styling and packing of his product. He should also find out about any requirements (technical and others) imposed by local government or trade standards and the changes which may be necessary to comply with these requirements. It is important that he compare his export prices with the prices of the domestic and foreign competition.

## Approaching the Market

When Canadians buy European products, they ask for offers from European exporters quoting laid-down Canadian costs, including freight, insurance and customs duty. The European customer requires the same co-operation from us. Therefore the exporter should try to quote a price laid-down in the warehouse of his European customer and, if this is not possible, then he should at least quote C.I.F. European port.

The European customer is familiar with the fact that the exchange rate between the Canadian and U.S. dollars is changing daily and therefore he wants the quotation on a firm basis. I would suggest that the exporter quote in U.S. funds, reserving a safe margin in his costs for the variation in exchange rates.

The problems of export packing and shipping should be studied carefully. The forwarder can help by finding out the sailing schedule to European ports, but nothing but a personal visit will enable the exporter to collect first-hand information about local conditions and technical requirements.

Market planning will not be effective without the backing of selective advertising. There are many international advertising agencies who can advise on this point but it is well to study advertising methods on the



*The European market differs from country to country; methods of distribution, products in demand, terms of payment, and advertising practices in a bustling Northern city like Stockholm (above) may have little in common with those in Salzburg (right), a smaller provincial town in Austria.*

spot too and the political, ethnic, religious and other characteristics which an advertising campaign should take into account. Advertising in Europe is less costly than in Canada and the advertising methods are usually more conservative.

### **Stress Quality and Service**

Many European customers still believe that any product coming from North America is beautifully styled but has only a short life. Canadian exporters should try to eliminate this belief and stress the quality of Canadian merchandise and the efficient service which is offered.

An excellent way of getting the confidence of prospective customers is to submit the product to the testing laboratories established by many European governments and trade organizations. A testimonial from these organizations is widely respected and carries weight when it is quoted in advertising.

It is commonplace to say that Europeans are born linguists. However, the exporter should not overlook the language requirements when devising sales literature. If he wishes to have sales pamphlets translated in Canada, he should submit the text and translation to his future customers and make sure that the right expressions are used.

Technical catalogues and users' guides should quote metric measurements. Our system of inches and pounds, etc., is unknown to the average European customer outside Great Britain.

When completing market research, the businessman should bear in mind that efficient selling backed up by generous advertising will not be enough if the merchandise lacks quality. Consistent quality and fair pricing should be the criteria in European export policy.

### **Set Up Distribution Carefully**

Once he has studied the market from the point of view of product and consumer demand, the exporter should select the appropriate method of distribution. Because of the ever-changing character of the European market, it is practically impossible to suggest any general approach to distribution. In many countries the old system of middleman—i.e., commission agent-importer-wholesaler-retailer—still survives. In others, some of the middlemen have been eliminated. In many areas



the trade groups tend to form powerful associations, which protect and pool the interests of their members and also act as purchasing agents for them.

Regardless of the method of distribution chosen, it is wise to appoint a general agent for the market. His efficiency might be increased by appointing sub-agents in the different important regions.

Appointing an agent is a difficult step and the decision should not only be based on personal impressions, but also on the recommendation of the Canadian Trade Commissioner, of the local banks, and of the credit associations. The trade references should be checked and it should be established that the prospective agent has at least some experience with the type of goods. The exporter should study with him the sales methods in the market and should train him and his salesmen thoroughly.

The exporter has now surveyed the market, adapted his products to the requirements of the customer, and found an agent. Before he begins to make sales, however, he should study sales terms and credit conditions. He should establish reliable sources for credit reports (Canadian Trade Commissioners, banks, credit report organizations, etc.). And he should protect his shipments by using the services of the Canadian Export Credits Insurance Corporation.

### **Sales Terms and Credit Conditions**

Personal experience bears out that there are fewer credit risks in Western Europe than in other world markets. The businessman should, however, be cautious at the beginning and remember that, because of the destruction caused by the Second World War and the European reorganization which followed, many new companies have been organized. Some of these lack the required financial backing or experience and credit references will enable the exporter to avoid such contacts.

As far as established customers are concerned, he should check on their credit ratings at least twice a year, thus restricting the risk to a minimum.

Selling terms to Europe depend on the particular product but generally the letter of credit system is almost entirely eliminated and business is done on the basis of sight draft or term. There is, however, little demand for long-term credit except for capital goods. When he is granting credits, in addition to references the exporter should consider the attitude of his competition.

Businessmen marketing in Europe often hear about deals which are not familiar to the average Canadian, such as "barter transactions", "switch deals", and "transit contracts". All these deals result from the currency problems of European countries (including certain debtor members of the European Payments Union) and from the desire of creditors to reduce their soft currency balances.

The banks and other contacts will help the exporter to separate the legitimate proposals from the obscure and through these deals he may be able to sell his products in markets which, in spite of the consumer demand, he has been unable to enter because of import restrictions. But these transactions are only practical on a volume basis.

### **Other Vital Factors**

In outlining the principles of marketing and merchandising I have talked about the importance of personal visits. This point cannot be stressed strongly enough. The exporter can accomplish excellent results through personal visits and once he has his market established he should continue them, repeating them as frequently

as the market potential and the development of sales warrant.

The personality of the Canadian export sales executive is of great importance. His European customers expect him to be well informed about world conditions and the market. He should know how to deal with people. His job is to initiate and to develop the sales of his company and therefore he should be fully familiar with the company's policies and its products. He should be well qualified to take on-the-spot decisions and he should be a real link between the head office and the European sales network.

Visits to the European market should be followed up by prompt and courteous correspondence. If the executive does not have an export staff capable of carrying on correspondence in the different European languages, then he should couch his letters in very simple English. European businessmen usually speak only school English and the average European translator has little or no knowledge of specific business problems.

### **Cultivate Market Now**

What are the prospects for Canadian exports in the European market? Every day we read reports on the changing situation in Europe and the possible effect of the future Common Market. These ambitious plans should not, however, postpone the start of export planning. The trading world is never static and the situation is changing constantly in the international as in the domestic market. It is the task of the businessman to adapt his business and himself to changing conditions and to remember that the basic sales problem remains the same: "Turn people's needs into wants".

I think we should give serious study to the European market. Manufacturers with increasing surplus potential should study the prospects of entering these markets. The established Canadian exporter should review his operating methods and he should make certain that he will not lose out on trade with Europe. The Common Market will take 12 to 15 years to become fully operative and in the meantime there is an immediate and long-term market in Europe for Canadian raw materials and semi-manufactured goods, and good prospects for many quality manufactured products.

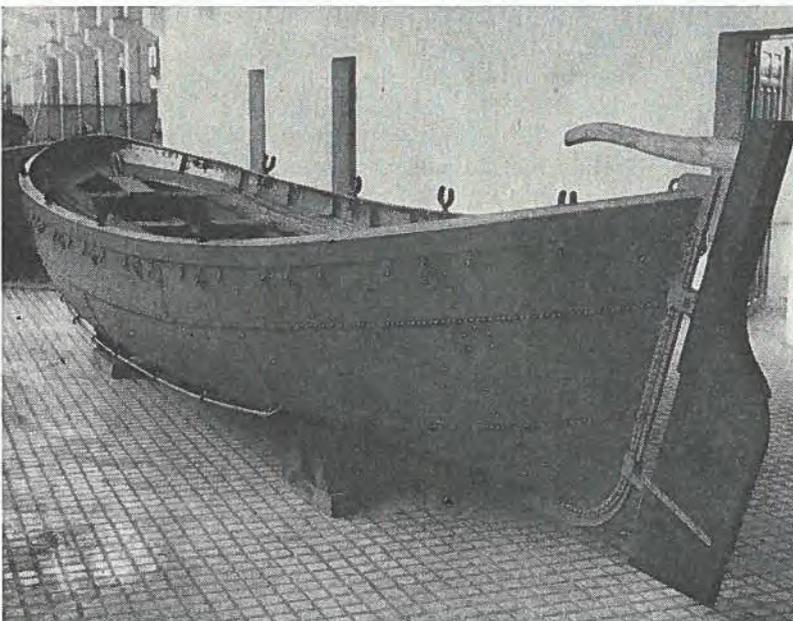
The European market will certainly become increasingly competitive. Canadians should concentrate on supplying quality products requiring advanced manufacturing techniques and large-scale production facilities. Canada has most of the necessary raw materials and a fast-developing industry. The competitive nature of the European market should be a challenge and a stimulus. ●



In Belgium—Au Bon Marché, a leading Brussels department store, is introducing Canadian-made dresses to the Belgian market. It opened a display of medium and lower-priced dresses with special ceremonies this spring. The photograph shows how the store featured the Canadian frocks in one of its display windows.

## Canada in European Markets

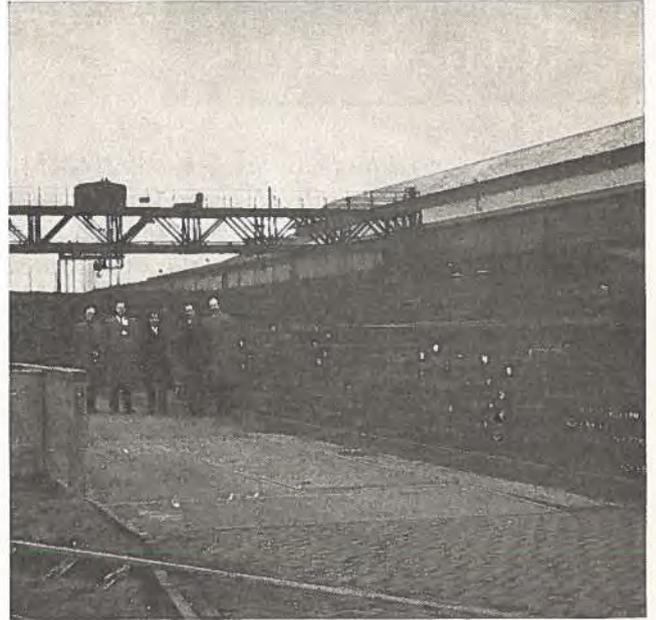
*Canadian exporters are invited to contribute to this series photographs of their products in use or on sale in foreign markets. Photographs should be adequately captioned, protected for mailing, and addressed to: The Editor, "Foreign Trade".*



In Spain—Some day someone may owe his life to the presence of this sturdy lifeboat; the boat owes its strong construction to aluminum ingot which the Spanish manufacturer recently imported from Canada.

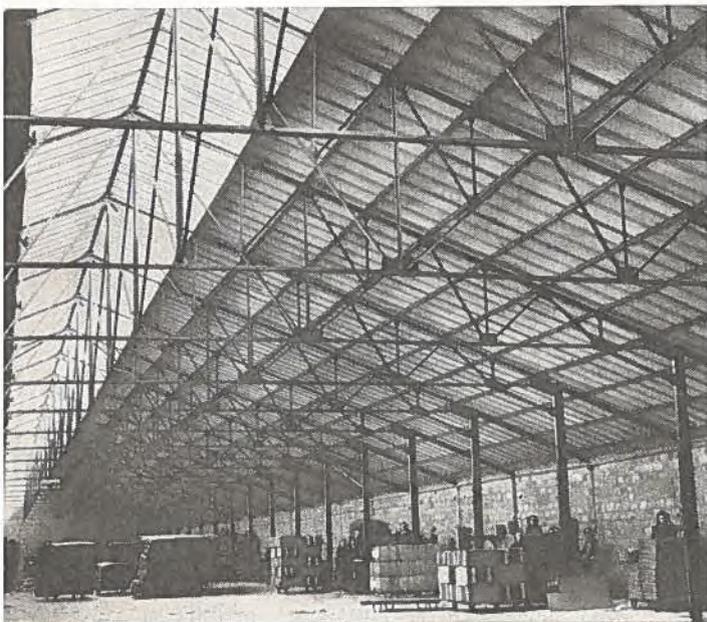


In Italy—Canadian codfish has a prominent spot on the open-air counter of this store in Velletri, a small town near Rome in the Lazio district. This region is the main consuming centre for Canadian cod, particularly Newfoundland shore-cure.



In the Netherlands—The businessmen seen in the background are looking over part of the 33,000 tons of steel slab sold to a Dutch company by a Canadian producer. The Dutch firm also uses some Canadian iron ore in its blast furnaces.

In Belgium—The soaring roof of this Belgian factory contains a Canadian element: it is made from cement blended with asbestos imported from Canada. This type of roofing is made in Belgium by the agent of a Canadian asbestos producer.



JUNE 22, 1957

In Germany—Cologne residents with comfort in mind can consider the merits of a modern Canadian space heater if they visit the appliance store at Hohe Strasse 1-3. Here we see the Canadian heater displayed on the sales floor.



# Netherlands

*Problems presented by boom have been tackled in realistic way and outlook is promising. Trade with Canada up almost 20 per cent in 1956 over previous year; pattern is changing as Dutch industrialization increases and need for raw materials for industry grows.*

B. C. BUTLER,

*Commercial Counsellor, The Hague.*

THE TIDE TURNED IN 1956, said the President of the Netherlands Bank in his recent annual report, which is regarded here as the best and most complete survey of economic and business conditions in this country. By this he meant that the boom conditions and inflationary trends reached their peak in mid-1956. At that point, tensions arose in the money market and the need for caution was voiced in the November report and recommendations of the Social Economic Council, which advises the Government on questions in this field. The situation was by no means serious but with the typically Dutch capacity to face realities and take appropriate action, the Government announced its intention to "trim sail".

Following the Council's recommendations closely, the Government's 1957 Budget provides for a reduction of some 600 to 700 million guilders in national expenditure, with the cuts to be applied proportionately to all categories—government, business and the general public. Government projects are to be curtailed or postponed; only essential business expansion will be encouraged; consumer spending will be discouraged by increased excise taxes on luxury goods and the removal or reduction of subsidies on other consumer goods.

## Effects of Suez Crisis

The closing of the Suez Canal made necessary some readjustments in shipping and sources of supply, but the effects were not as serious as in some other Western European countries. In fact, the stimulated demand for new and larger tankers brought large orders to the country's already busy shipyards. There was no serious shortage of oil, partly because the Netherlands has established sources in South America and was able to increase contracts for supplies from those sources. It also obtained a share of the larger shipments from the United States to Europe.

Moreover, it came as a surprise to many that domestic oil production, which did not really begin until 1947,

is now able to fill from one-quarter to one-third of Dutch requirements. Thus, the only concern here was over the maintenance of export contracts with neighbouring countries for the products of Netherlands refineries.

Fortunately it was a mild winter and the demand for fuel oil was moderate. Nevertheless, to be on the safe side, oil companies were instructed to reduce fuel oil deliveries by 20 per cent for domestic and by 10 per cent for industrial purposes. Gasoline deliveries were cut by 15 per cent and Sunday motoring was banned from mid-November until mid-February. Prices of all oil products were increased as a further check on consumption.

Although the substitution of dollar oil for Middle East sterling supplies made an unexpected demand on Netherlands foreign currency and gold reserves, the drain was apparently not serious. The warning to reduce expenditures in 1957 had already been sounded by the Social Economic Council before the Suez situation developed and this crisis simply added emphasis.

## Business Remains Good

Notwithstanding the comments in the preceding paragraphs, business was and continues to be good in the Netherlands. A few significant indices will serve to illustrate the progress made in recent years:

	(1953=100)		
	1954	1955	1956
Total industrial production .....	110	118	124
Building materials .....	106	111	115
Chemicals .....	110	117	123
Metal products .....	120	134	141
Textiles .....	107	109	112
Agricultural production .....	112	116	121

National income per capita has increased from \$500 in 1954 to \$568 in 1956 and new investment in industry has risen from \$370 million in 1954 to \$542 million in 1956. Though Holland is only about the size of Vancouver Island and has a population of 11 million, business and industry have absorbed the working population and there is an actual shortage of labour in many fields. Registered unemployment was less than 1 per cent of the labour force and unfilled vacancies in industry were estimated at 5 per cent of total employment. The country as a whole is prosperous and the average family enjoys a good living standard.

The Amsterdam Stock Exchange reported a fair year in 1956 though the general index of share values (1953=100) fell from a peak of 238 in May to a low of 179 in November, finishing the year at 200. Sales were a little below those of the previous year, with bond sales slightly, and sales of shares sub-

stantially, lower. Foreign loans disappeared completely, partly as a result of the tense international situation, and there was no foreign demand for Dutch issues. The political uncertainties in Indonesia caused a further decline in trading in estate shares.

The tourist industry is becoming more and more important to the Netherlands: it is conservatively estimated that tourists brought in a revenue of \$60 million in 1956. Over the Easter weekend this year, when the bulb fields were at their best, more than 100 thousand foreign cars (mainly German and Belgian) entered Holland for a stay of 48 hours or longer.

Housing is still short and continues to be one of the most serious problems. Over 500 thousand dwelling units, mainly apartments, have been built since the war but there is still a shortage of more than 250 thousand. The Government plans to build 75,000 units in 1957 compared with 70,000 in 1956.

### Exports and Imports Increase

The Netherlands is a great trading nation by virtue of its function as a middleman, banker and carrier, and also as an importer and processor of raw materials. Though invisibles such as shipping, insurance, banking, tourist trade and similar services play an important part in the over-all balance-of-payments position of this country, it is important for its economic health that there be a reasonable relationship between commodity imports and exports.

In 1956 the balance of commodity trade was somewhat adverse for Holland. Exports increased from 10,211 million guilders in 1955 to 10,881 million in 1956, but imports showed a greater increase—from 12,189 million guilders to 14,105 million. Thus exports covered imports to the extent of 77 per cent in 1956, compared with 84 per cent in 1955 and 91 per cent in 1953.

Imports showing the greatest increase included manufactured products including fabrics and clothing, capital equipment, and foodstuffs such as coffee, tea and cocoa. Main sources of supply in order of importance were Belgium, Luxembourg, West Germany, the United States, the United Kingdom, France and Indonesia. Increased purchases from Belgium-Luxembourg consisted of finished products and equipment of all kinds and were aided by the Benelux customs union. Though imports of German coal and motor cars dropped, this was more than offset by an unusual rise in imports of machinery. Despite generally smaller purchases from the United States, imports from that country were increased in total by unusual purchases of coal because of the Suez crisis and declining domestic production.

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Exports of industrial goods and ships also decreased because of greater domestic demand, but exports of agricultural products rose. West Germany was Holland's best customer, followed by Belgium-Luxembourg, the United Kingdom, the United States, France and Indonesia. Over 65 per cent of Holland's exports went to Western European countries.

### Trade with Canada Growing

Canada-Netherlands total trade increased by almost 20 per cent in 1956 to 259 million guilders (about \$65 million) compared with 216 million guilders (\$54 million) in 1955. Imports from Canada rose by 21.6 per cent to 181 million guilders (\$45 million) against 149 million (\$39.8 million) in 1955. Exports to Canada were up 16 per cent to 78 million guilders (\$19.5 million) against 67.6 million (\$16.9 million) in 1955. The balance of commodity trade remains strongly in Canada's favour although this is considerably modified by Canadian use of Dutch shipping, insurance and other services and by Canadian tourist expenditures in Holland.

Imports from Canada into the Netherlands in 1955 and 1956 and the ten leading commodities are tabled below:

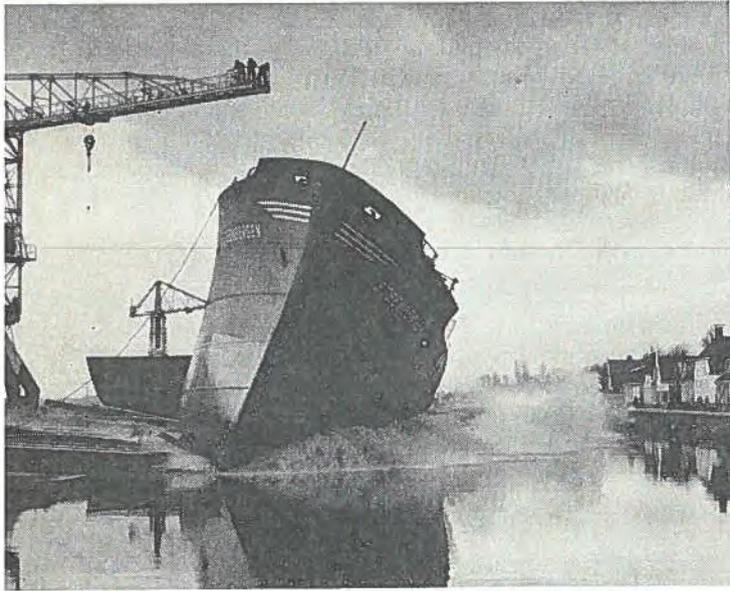
	1955		1956	
	<i>metric tons</i>	<i>thousand guilders</i>	<i>metric tons</i>	<i>thousand guilders</i>
Total imports from Canada .....	432,518	148,767	576,030	180,634
Wheat .....	100,341	29,908	314,517	82,285
Oil seeds .....	49,696	26,495	43,210	24,352
Aluminum .....	7,615	13,878	8,301	17,310
Pulpwood .....	37,755	5,702	59,920	9,854
Mineral products ..	6,554	2,938	12,610	5,633
Iron ore .....	72,728	3,232	83,942	4,470
Paper and cardboard	11,132	6,839	6,817	4,227
Synthetic rubber ....	1,023	2,403	1,237	2,929
Wood pulp .....	10,363	5,371	4,996	2,734
Rye .....	53,806	11,741	9,251	2,359

Other imports from Canada with values in excess of one million guilders (about \$250 thousand) in 1956 were: barley, leaf tobacco, scrap iron and steel, essential oils and flavours, machinery and parts.

Netherlands exports to Canada with values in excess of one million guilders included (in order of importance): plants and bulbs; electrical machines, apparatus and parts; tin in various forms; cocoa products; machinery; musical instruments and gramophones; benzol; textiles; cheese; fruit pulp and preserves; canned and bottled vegetables; distilled beverages; footwear.

### Prospects for Canadian Trade

The measures that have been introduced by the Government to curb the inflationary trends are not expected to retard the pace of business activity to any



*The side launching of coastal vessels like the one in the picture above is a common sight in the twenty-nine busy shipyards of Groningen, Holland. Greater domestic demand resulted in smaller exports of ships during 1956.*

serious extent in 1957. If the mild winter and the long and relatively sunny spring are followed by a reasonably fair summer, Dutch agriculture should have a good year. Industrial order-books look promising, with indices at the end of December (1953=100) reading as follows: metallurgy 160 (1955, 133); textiles 150 (109); shoemaking 204 (145); rubber 184 (139); clothing 216 (160); paper 161 (107).

The immediate future is, therefore, promising and should offer opportunities to Canadian exporters of materials for industry. Indeed, it is in this category of products that the Netherlands should become of increasing interest to Canadian exporters in the years ahead.

### **Trade Emphasis Changes**

Before the war this country was regarded as primarily an agricultural producer. The postwar reconstruction period, accompanied by currency restrictions and other limitations on the free movement of goods, and coupled with the loss of her empire in the East Indies, caused Holland to embark upon a policy of industrialization. Domestic industries of all kinds were started or expanded and many foreign companies (more than 60 from the United States alone) established branch factories or assembly operations. At the same time, the country's agricultural methods have kept pace with latest developments and, except for wheat and other grains, Dutch agriculture is able to meet the major part of the needs of a growing population.

Nevertheless, excess population is Holland's long-term problem and much thought is being devoted to the

creation of future jobs. Agriculture at present employs 12 per cent of the labour force, industry 42 per cent, and services (including government) 46 per cent. Even if large-scale emigration is maintained (averaging say 10,000 a year), it is estimated that jobs will have to be created for 40,000 to 50,000 new workers every year and that industry will have to absorb about half of these.

Thus, Holland may now be regarded as a highly industrialized country whose main import needs are, and will become increasingly, the raw materials to maintain a modern industrial economy. The demand for imported manufactured goods will correspondingly decline, except for certain specialties such as hockey equipment, for example.

This trend will doubtless be further influenced, as far as Canadian exports are concerned, by the proposed European Common Market, under which the six member countries would gradually introduce a common tariff that is expected to be generally higher on finished goods than the tariff at present in force in the Netherlands. ●

## Norway

*With exports up and freight earnings reaching a record, Norway found 1956 a prosperous year. Imports from Canada also rose, with minerals in the lead. But prosperity poses some problems to be solved in the months ahead.*

J. C. DEPOCAS,  
*Commercial Counsellor, Oslo.*

THE YEAR 1956 proved to be one of the best in Norway's experience. Production of the export industries increased 6 per cent over 1955, (which was also a record year) and world market prices for these exports continued to rise. Fisheries output reached a new high and sold for record prices, and agricultural crops, down in 1955, were either normal again or above average. Exports (Kr. 5,044 million) and imports (Kr. 7,038 million) climbed to new peaks in both value and volume last year but the trade deficit (Kr. 1,994 million) remained practically unchanged.

FOREIGN TRADE

The Norwegian merchant marine plays a vital role in the economy and its earnings help to counterbalance the trade deficit. An increase in the number of vessels and higher shipping rates meant that net freight earnings, at 2.9 billion kroner (2.1 billion in 1955), were the highest ever. In fact, the increase in shipping earnings very nearly offset the trade deficit, and reduced the balance-of-payments deficit from the 888 million kroner of 1955 to only 20 million kroner in 1956. When one realizes that the value of all Norwegian exports totalled 5 billion kroner in 1956 and that the fleet earned 2.9 billion kroner, its importance to the national economy is clear. In addition, it is the largest single earner of foreign exchange. Most people here would like to see the fleet progressively expanded.

The closing of the Suez Canal did not have any serious effect on Norway although, with the majority of her merchant fleet under charter, she is the second largest user. Her ships took the longer route around Africa, raising the freight rates at the same time and thus keeping shipping earnings high. In the fall, the Government asked the Norwegian people to cut down voluntarily on their consumption of gasoline and fuel oil. A mild winter and the practice of laying up automobiles in colder months helped to keep any shortage from being felt. The price of gasoline and of fuel oil rose, but the increase was small and resulted from higher costs rather than from short supply.

### Foreign Trade Up

The increase of Kr. 732 million in the value of exports in 1956 over 1955 was led by mining and metallurgical products. For the first time the metals group (both ferrous and non-ferrous) outstripped both fisheries and forest products (including pulp and paper) in the race for first place. Metals may hold the lead for some years because world prices for them are generally more stable than for fish and output is less dependent upon changing conditions, and because the expansion of the pulp and paper industry is limited by the country's forest reserves. In addition, Norway has large iron ore reserves and great hydro-power potential. The latter has made it possible for the Norwegians to become large exporters of aluminum ingot, made from imported bauxite and alumina, using these power resources.

The rise in the value of imports from Kr. 6,327 million in 1955 to 7,038 million in 1956 resulted not from greater purchases of consumer goods but from industrial expansion and the growing need for capital equipment, raw materials and semi-manufactured goods to supply the export industries. It is true that, because of import liberalization, a greater range of goods is offered to the public now than two years or

even a year ago. However, prices are often outside the reach of the average shopper.

The following table gives the destinations by area of Norway's principal exports and the sources of her main imports:

	Imports*			Exports**		
	1954	1955	1956	Whole year		
	(in million kroner)					
United Kingdom .....	1,091	1,077	1,186	895	980	1,056
Sterling area (incl. U.K.)	1,282	1,312	1,409	1,113	1,316	1,460
West Germany .....	935	941	1,101	424	506	653
EPU countries .....	3,933	3,766	4,164	2,561	2,758	3,318
United States .....	614	667	823	338	416	466
Soviet Bloc .....	298	280	396	321	265	332

\*Excluding ships.

\*\*Including ships.

### Trade with Canada

Norway's imports from Canada customarily far outstrip her sales to Canada. The table below illustrates this, using trade figures for the last three years, both Norwegian and Canadian:

	EXPORTS TO CANADA	IMPORTS FROM CANADA	BALANCE (in Canada's favour)
	(in kroner)		
1956	Kr.24,926,000	Kr.407,308,000	Kr.382,382,000
1955	16,249,000	364,475,000	298,226,000
1954	13,189,000	282,211,000	269,022,000

(in Canadian dollars, DBS figures)

1956	\$ 3,780,492	\$ 57,682,269	\$ 53,901,777
1955	2,366,235	47,031,412	44,665,177
1954	1,983,093	43,812,904	41,829,811

Norway's purchases from Canada fall largely into two groups. One consists of products required for local consumption which Norway does not produce in sufficient quantities, such as wheat, other grains and flax, and asbestos. The other covers products which Norway imports, processes, and then re-exports to other countries, such as nickel-copper matte, alumina, and zinc ore. Canada is Norway's sole source of nickel-copper matte and the largest supplier of alumina, with 45 per cent of all alumina imports. Canadian mines also furnish about 10 per cent of imports of zinc ore. These three together made up 71 per cent of Canadian sales to Norway by value in 1956, a total of nearly 290 million kroner.

An illustration will show how this system of importing raw materials, processing them, and re-exporting a finished or semi-finished product works. During 1956, imports of nickel-copper matte totalled 44,497 tons, valued at Kr. 262,434,411, or a unit price of Kr. 5.897 per kilo; imports of alumina totalled 65,734

tons at Kr. 22,903,662, or an average price of Kr. 0.348; imports of zinc ore totalled 8,356 tons worth Kr. 4,638,824, or an average price of Kr. 0.555. After processing or refining in Norway, these were exported in the form of raw nickel 18,418 tons at Kr. 229,540,625, a unit price of Kr. 12.457; semi-manufactures of nickel, 855 tons at Kr. 12,547,448, a unit price of Kr. 14.60 per kilo; raw copper, 14,623 tons at Kr. 80,721,940, a unit price of Kr. 5.52; raw aluminum, 79,515 tons at Kr. 287,056,027, a unit price of Kr. 3.61 per kilo; raw zinc, 37,214 tons at Kr. 72,992,837, a unit price of Kr. 1.96 per kilo.

### Some Problems Remain

Despite the present prosperity in Norway, there are some developments that are being watched closely. The authorities have on many occasions warned the nation that production cannot continue going up by 4 or 5 per cent every year, that prices for Norway's exports in foreign markets will fluctuate, and that there are other factors in the export picture that cannot be controlled. The outlook for the fisheries is not unclouded; the total catch in 1957 is expected to be

## Portugal

*Rising prices and low purchasing power present difficult problem at moment. Exports increased moderately in 1956 but imports of industrial raw materials, semi-manufactured goods, machinery and equipment, and foodstuffs rose more sharply. Possibilities for Canadian exporters limited to goods not available from soft currency sources.*

RICHARD GREW,  
Commercial Counsellor, Lisbon.

OVER-ALL, THE ECONOMY OF PORTUGAL showed progress during 1956 and the first few months of the current year, but there are signs that difficulties may arise. Unless adequate measures are taken, these danger signals may turn into real threats to the steady progress of the past few years.

The principal difficulty appears to be that business generally is expanding but the purchasing power of most of the population is shrinking. Wages and salaries have not kept pace with the steady rise in prices for both domestically produced and imported goods. A few businesses may profit from existing

smaller than in 1956 because of bad weather during the fishing season, but this may serve to reduce surplus stocks. In addition, certain countries which favoured Norwegian klipfish when allocating imports have ceased this practice.

There are no signs of any drastic change in the Government's economic policy and programs. It is expected that it will encourage further expansion of the mining and metallurgical industries and of hydro-electric power. It will also seek the continued collaboration of the banks in keeping credit restrictions in force and subordinating private investment to public projects where necessary. The Government is particularly anxious to encourage undertakings which are likely to increase exports and cut down on imports. The recently published *Economic Survey* forecast a rise in production of about 3 per cent, a rise of 5 per cent in the volume of exports, and a rise of 4 per cent in the volume of imports, based on prices higher by 2 per cent. It was also made plain that the liberalization of imports would be continued. All this seems to promise well for Norway and trade with Norway throughout 1957. ●

conditions, but the majority are finding it more difficult to make ends meet. The recent trend toward a decline in retail sales, particularly in the country districts, reflects this situation; in the larger centres such as Lisbon, the problem is less evident. Inflation could have serious repercussions and the Government is making efforts to combat the steady increase in the cost of living.

### Inflation Remains Threat

Industrial production expanded last year and returns from agriculture, in spite of poor conditions at the start of the growing season, also rose above 1955; the fish catch was larger too. Portugal was able to end the year with a favourable balance of payments, although the trade deficit of Continental Portugal exceeded the 1955 deficit by approximately \$28 million U.S. On the credit side, exports of overseas provinces, the tourist traffic, shipping and insurance, and remittances from Portuguese immigrants abroad contributed to the improved balance-of-payments position of the escudo area. At the end of 1956 the overall surplus was 892 million escudos\*, compared with a surplus of 629 million in 1955. Gold and dollar

\*One escudo=\$0.03334 Canadian

reserves stood at 19,910 million escudos on December 31, 1956, up 642 million from reserves of 19,268 million escudos at the end of 1955.

The amount of currency in circulation has expanded although the banks have tended to restrict credit in recent months. Prices have continued to climb but the causes are mainly external because salaries and wages in the country have not increased significantly. The Suez crisis advanced freight rates and gasoline prices have risen 11 per cent since last November. Costs of imported raw materials, semi-manufactured products, machinery and equipment, and finished goods have all gone up. A general rise in salaries and wages would provide a temporary solution but such an expedient, it is felt, would only increase inflation in the long run.

The 1953-58 Development Plan has made satisfactory progress; up to the present it has spent 85 per cent of the amount budgeted. Projects completed so far are noteworthy achievements and it is expected that by the end of the six-year period the full amount will be used. Meanwhile experts are studying projects to cover another five-year period—from 1959 to 1964.

### Some Farm Products Suffer

The severe winter of 1955-56 and a late spring combined to make last year a poor growing season to start with. Weather conditions improved, with unexpected providential rains occurring at the proper times; crop yields proved much better than originally expected.

The yields did not equal the previous five-year average but they rose considerably above the totals for the previous year. Wheat production increased 12 per cent over 1955; rye went up 14 per cent and corn 7 per cent; other cereals such as oats and barley, which are not as important, increased 13 and 12 per cent respectively. Production of olives, potatoes and vegetables rose substantially and yields considerably exceeded early estimates.

Some important agricultural products did not fare so well; the most important of this group were cork, fruits and almonds. Rising prices for cork during 1955 caused over-production; prices fell and last year producers curtailed output. In the case of almonds and fruits the heavy and unseasonable frosts reduced the crops. The vineyards were particularly hard hit, production fell to the lowest figure in many years and quality also suffered.

The livestock situation has changed little in the past year; in fact the cattle population appears to be declining and imports of both meat and butter have risen. Imports of meat went up from 505 tons in 1955 to



*These young Portuguese girls are working in a sardine plant in the south. Canned sardines constitute one of Portugal's chief exports and the good catch last year boosted the trade.*

6,244 tons last year and butter imports increased from 107 to 990 tons during the same period.

Portugal plans to supplement its own meat output by expanding the cattle industry in the overseas provinces but such a project involves long-range development of refrigerated storage and shipping facilities.

### Increased Fish Catch

Portuguese fishermen had a good year during 1956, with production and value up from 1955. Apart from the cod catch, fish landings totalled 240 thousand tons worth 915 million escudos, as against 205 thousand tons valued at 812 million escudos for the previous year. Early in the season it was feared that the sardine catch—probably the most important sector of the industry from the point of view of export trade—would fall well below average. Fortunately the sardine appeared in large quantities later in the season and production of the canned fish rose 49 per cent over the previous year.

In 1955, the cod-fishing fleets landed a record 48,000 tons but the 1956 season proved even better, with the catch reaching 54,000 tons. Even this quantity is insufficient to meet the local demand and Portugal usually buys cod from Canada, Norway, Iceland and France. Recently, controls have held internal fish prices at such a low level that Portugal has not been an attractive market to Canadian exporters; Newfoundland cod was not sold to this market last year although our light-salted product is particularly popular for the Christmas trade in the Oporto area.

A few industries were unable to equal their output of the previous year, although total production of all industries was greater.

Toward the end of the year, the Government passed two laws to stimulate and encourage the industrialization of the country. One law cuts taxes on industries that invest funds to make new products or to improve quality or lower prices of products already manufactured. The other law lowers the duty on raw materials which manufacturers use to make goods for export.

● *Mining*—Production of the most important minerals found in Portugal showed moderate gains; coal, iron ore and wolfram output rose, pyrites of copper-bearing iron remained about the same as the year before. Production of cassiterite concentrates declined slightly although exports of tin meal (which is produced from the concentrate) improved.

Most of the additional iron ore last year was absorbed in export markets. In the future production should continue to rise but exports will decline. Portugal is investing 2,650 million escudos in the primary steel industry with an eventual capacity of 300 thousand tons of steel a year.

● *Textiles*—The textile industry continues to experience difficulties with over-production; the spare capacity in certain lines has created the most serious problems and some mills are working only part-time. Portugal has been able to maintain moderate exports of textiles mainly to her overseas provinces and has sold limited quantities of special types of textiles to the United States; efforts are being made to develop this market.

● *Chemicals*—Except for fertilizers, the chemical industry achieved about the same production as a year ago. Fertilizers and particularly ammonium sulphate production continues to expand but demand still outstrips capacity. Portugal aims to become self-sufficient in chemical fertilizers and to do so will require investment of a further 630 million escudos. There was a surplus of calcium superphosphates last year and this branch of the industry is looking to the export market.

● *Forest Products*—The lumber, pulp and paper industry recorded a good year. Wood pulp output increased by 25 per cent but still fell short of the rise in demand; imports rose to 50,000 tons, all from soft currency countries.

The important cork industry last year failed to reach the previous year's output. Exports of unmanufactured cork and cork products, Portugal's most valuable single export, declined 9 per cent in volume and 6 per cent in value. Nevertheless cork exports totalled 145 thousand tons valued at 1,600 million escudos

Both imports and exports rose in 1956 but imports increased more than exports and the already large trade gap widened still further. The following table summarizes the trade of Continental Portugal over the past three years.

	1954	1955	1956
Imports .....	10,085	11,453	12,678
Exports .....	7,297	8,165	8,590
BALANCE .....	- 2,788	- 3,288	- 4,088

### Pattern of Trade

The rise in the import total for 1956 is the result of higher prices accompanied by an increased volume of raw materials to feed the country's expanding industries. Larger food imports, particularly of meat and dairy products, codfish, and wheat added to the trade deficit. On the export side, all the principal Portuguese exports registered moderate gains except unmanufactured cork. However, since the terms of trade were unfavourable for Portugal, the increase in export volume was not able to counterbalance the increased import tonnage.

For the second successive year, West Germany captured the largest share of the Portuguese market, followed by the United Kingdom, the United States and France. The value of Canadian exports declined last year mainly because we did not ship any wheat or codfish, traditional commodities in this trade. Canadian wheat has been displaced in this market by U.S. wheat under the surplus disposal program while the low controlled prices for cod do not offer an attractive outlet for Newfoundland producers.

The following table indicates the general direction of Portuguese foreign trade with the principal trading areas.

	1954		1955		1956	
	Imports	Exports	Imports	Exports	Imports	Exports
Portuguese Overseas Provinces	1,717	1,826	1,571	1,946	1,515	2,100
<i>EPU</i>						
Sterling area	1,629	1,248	1,802	1,450	2,068	1,393
Others .....	4,638	2,307	5,395	2,765	6,102	3,012
<i>Non-EPU countries</i>						
United States	838	756	1,102	844	1,311	786
Canada .....	71	59	70	59	55	65
Latin America	200	346	387	426	400	422
Others .....	992	755	1,126	675	1,227	812
	10,085	7,297	11,453	8,165	12,678	8,590

The policy on foreign exchange control has undergone no important changes in the past year. Imports from the dollar area continue to be limited mainly to raw materials, semi-manufactured articles, and machinery and equipment which are not available from soft currency sources. Apart from her trade with the overseas provinces, most of Portugal's imports and exports

originate from or are sent to EPU countries, as the table on page 34 indicates.

### **Tourist Trade Offers Possibilities**

The authorities are giving increased attention to developing Portugal as a tourist mecca and particularly to attracting visitors from the United States and Canada. At the present time hotel accommodation, especially in Lisbon, is far from adequate but new hotels are under construction. The Government recognizes that the tourist trade contributes a great deal to foreign exchange earnings. Portugal has many natural attractions and there is a constant program to improve roads and establish small hotels or "pousadas" throughout the country to cater to the motorist. Last year an estimated 230 thousand visitors came to Portugal and the number is expected to increase this year. ●

## **Spain**

*Single exchange rate has superseded former multiple-rate system, and other changes in trading policy expected if Spain is to qualify for OEEC membership. U.S. aid has played vital role in 1956; shortage of dollars hampers trade with Canada except when financed with ICA funds.*

M. T. STEWART,  
*Commercial Counsellor, Madrid.*

IN SPAIN, 1956 was a variable and rather difficult year. Severe frost damage to citrus and other crops in February 1956 resulted in sharply curtailed exports, strong inflationary tendencies, labour and social unrest, and a marked weakness in the open market rate of the peseta. Spain has thus faced some difficult problems but has made progress in many areas of activity and, apart from the damaging frosts, the year could be considered above average.

In the political field, the major event was the transfer of sovereignty to Morocco which took place about a year ago. This created certain economic problems for Spain and has been given as a reason for the weakness of the peseta in Tangier and other free exchange markets. Labour unrest created a difficult situation for the Government and although very generous wage

increases were given—amounting to nearly 50 per cent for low-paid workers and falling rapidly percentage-wise among the more skilled group—it cannot be said that labour as a whole is satisfied. Fear of inflation which could quickly wipe out the gain is widespread. However, the feeling is that the Government acted wisely in November in strongly favouring the lowest-paid groups. This gave increased purchasing power where it was urgently needed but the over-all effect was inflationary.

At the beginning of 1957 the Government realized that this inflation had to be controlled. An Inter-Ministerial Committee for Economic Affairs was created in February and the emphasis is now on sound economic planning and liberalization of trade policies. An Office of Economic Co-ordination and Planning has been set up to assist the Ministerial Committee. The appointment of a Minister without portfolio, an elder statesman whose chief task is to reorient the economic policy of the country, is a clear indication of the need for such reforms. He also heads the Council for National Economy. The road to recovery will be difficult but 1957 should see some progress.

### **Trade Policies Changing**

Business in Spain, particularly import and export trade, has been under strict control exercised by the Ministry of Commerce. This Ministry has undergone extensive re-organization and although it is assumed that there will be important changes in policy, they have not yet been announced.

The present Minister of Commerce, a distinguished professor of economics, is known to be internationally minded and will actively support Spain's participation in OEEC, which was also the objective of the previous Minister. An important step in this direction was taken when the Council of Ministers on April 5th approved a decree unifying the exchange rates in force into a single rate of 42 pesetas to the U.S. dollar. This supersedes the multiple-rate system which has been in force since October 31, 1951, and may be the basis of far-reaching monetary reforms in Spain. The new rate, which represents a devaluation of about 8 per cent, should do much to stimulate exports. Further steps must be taken to liberalize trade procedure and a working party of OEEC was in Madrid during the last week in April and the first week in May for further study of the measures required for Spanish participation in some form. It is probable that the Minister of Commerce will shortly announce plans for a new liberal trade policy. This will eliminate as soon as possible all barter deals and compensation accounts.

The formation of the Common Market has been followed with the greatest interest in the Spanish press and the feeling is that, in time, Spain should become

associated with the group because of her historic trade position in Europe. Europe provides a market for the bulk of Spain's agricultural products and in the years 1953 to 1956 over 65 per cent of her total exports, by weight, went to the non-Communist countries of Europe. About one-quarter went to the six countries comprising the Common Market.

Spain would have to make basic changes in her trade and economic policies to qualify eventually for membership in the Common Market. But these changes would be necessary also for participation in OEEC and the further adjustment required for association with the Common Market may not prove impossible in the long run. However, Spain's participation will be a long-term project, depending on developments and progress within the present group.

### **American Aid Vital**

Conditions in Spain in 1956 were better than they might have been, thanks to the American aid program. Since its beginning in 1953 about half a billion U.S. dollars (or the equivalent in loans and shipments of agricultural surpluses) has been granted to Spain. The scope of the report does not permit a detailed explanation of the aid program but in brief it has been administered with the greatest care to avoid upsetting local industries unnecessarily or intensifying labour problems. Many of the projects undertaken with the counterpart peseta funds are now approaching reality and will benefit the economy of Spain greatly. The administration of the program has been sound and co-operation between the U.S. Government and the Spanish authorities excellent.

### **The Trading Outlook**

It is difficult to see any favourable development of Canadian trade with Spain under existing conditions. Spain's hard currency reserves are very low and the bulk of her foreign trade up to the present has been carried out under bilateral agreements and clearing arrangements. The Ministry of Commerce grants import permits in dollars only as a last resort. Thus, in effect, Canadian exporters find themselves in a difficult position as regards import licences. These are authorized only for materials that cannot be bought to equal advantage from another, and preferably a soft currency, source. Some imports of essential Canadian raw materials for industry have been effected under ICA allocations and other imports may be made from time to time, financed by these funds.

Turning to Spanish exports to Canada, Canadian trade figures bear out these somewhat pessimistic comments. From \$14.2 million in 1953, Canadian exports to Spain dropped to \$4.2 million in 1955 and rose slightly to \$5 million last year. Commodities featured in the

1956 trade, in order of importance, were light salted cod (\$847 thousand); pulp, sulphite dissolving (\$785 thousand); asbestos milled fibres (\$620 thousand); aluminum in primary forms (\$554 thousand); copper scrap, slag and skimmings (\$315 thousand), and scrap iron or steel (\$254 thousand).

Canada's purchases from Spain also dropped slightly in 1956 compared with 1955, (\$6.2 million in 1955, \$5.7 million in 1956.) "Operacion Canada", which merits a special title in the Ministry of Commerce and which is designed to broaden the base of Spanish exports to Canada, has not yet achieved any dramatic results. Olives sulphured or in brine, cork slabs and boards, and almonds were the leading commodities in this trade last year.

The new exchange system based on a single exchange rate should, however, stimulate trade between the two countries. The main hope of our increasing our exports to Spain lies in the new trade policy, the details of which are eagerly awaited. The scrapping of "Operacion Canada" and all similar accounts would open the doors to more normal trading conditions.

### **Combining Business and Pleasure**

Most Canadian businessmen cannot be seriously encouraged to visit Spain for business reasons but it is an interesting country for the tourist, with a fine winter climate. The new Canadian Pacific Airlines service direct from Montreal to Madrid, about to be inaugurated, will make travel between Spain and Canada a simple matter and if a visit is tied in with business calls elsewhere in Western Europe, it may augur well for future business with Spain as well. Conditions must improve and her expanding tourist trade alone will mean a substantial inflow of dollars.

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*NUCLEAR ENERGY—Thirteen Spanish private industries, related to the Banco Urquijo, a leading industrial bank in Spain, have recently formed a new company, TECNATOM S.A., (Barquillo 1, Madrid). These industries are in the fields of electric power, shipbuilding, chemicals, mining, metal-working, etc.*

*TECNATOM S.A. is engaged in the study and development of nuclear energy in Spain in all its industrial applications and would like to contact Canadian firms working in this field. At present it is also anxious to get in touch with first-class foreign firms which could provide it with technical economic evaluations of different power-reactor systems, in order to determine those that would best fill specific Spanish needs. TECNATOM would also like to introduce to Spanish industry radioisotope and radiation-processing applications.*

# Sweden

*Swedish prosperity will probably continue in 1957 and list of dollar goods free from import controls may be extended. Canadian exporters willing to face keen competition and meet the demand for quality should capture a fair share of this relatively high-income market.*

A. P. BISSONNET,  
Commercial Secretary, Stockholm.

SWEDISH BUSINESS continued to prosper last year although, like some other countries, Sweden has not entirely solved the problem of inflation under conditions of full employment, despite a tight credit policy. Wages and prices, in fact, still tended to move up.

The gross national product increased 6 per cent in 1956, compared with 8 per cent in the previous year. The volume of industrial output rose only 2 per cent as against 6 per cent from 1954 to 1955, partly because of the policy of credit restriction and limitation on private investment. Most types of industry with export markets, however, increased their output, particularly the iron ore and wood pulp manufacturers.

From the point of view of oil supplies, the Suez crisis had little if any effect on industry. Sweden's foreign exchange reserves consist largely of gold and dollars and the switch to emergency oil supplies from dollar countries did not present a difficult problem. She has, however, the highest oil consumption per capita in Europe and about 45 per cent of her normal energy requirements are met by petroleum products, about one-third of which come from the Middle East. Life in Sweden continued much as usual after the Canal was blocked and rationing was only temporary. But the country has reason to fear any prolonged oil shortage which would curtail industrial production and affect the whole economic life of the country.

One result of the crisis was that plans drawn up during the year for the development of atomic energy (see *Foreign Trade* of Jan. 19, 1957), received further study. In addition, experts framed plans to increase emergency oil stocks and speed up the development of hydro power.

## Forest Products Leading Industry

● *Wood pulp*—Production and exports of chemical wood pulp rose last year; output went up 5 to 6 per cent to 3.2 million metric tons and exports totalled 2.1 million tons, an increase of 198 thousand. Big markets

were the United Kingdom, 589 thousand tons (562 thousand tons in 1955); France, 272 thousand tons (240 thousand); West Germany, 238 thousand tons (219 thousand), and the United States, 188 thousand tons (166 thousand).

Mechanical wood pulp manufacturers did even better, with production and exports both up 10 per cent. Exports totalled 432 thousand metric tons; shipments to the United Kingdom rose to 285 thousand tons last year from 240 thousand tons in 1955.

Total value of all pulp exports increased to Sw.Kr. 1,763 million\* as against 1,567 million in 1955; prices changed very little in 1956 after a rise towards the end of 1955.

● *Paper and paperboard*—Combined output reached 1.58 million tons in 1956 (1.50 million last year); newsprint went up 15 per cent, board and sulphite paper declined slightly. Exports rose 12 per cent to 921 thousand tons and two-thirds was sold in the European market.

● *Wallboard*—Production rose 5 per cent to 450 thousand tons and exports reached 300 thousand, an increase of 40,000 tons over 1955.

● *Lumber*—Production and exports decreased and prices fell. Export shipments reached 966 thousand standards, a 5 per cent decline from 1955.

## Iron Ore, Iron and Steel

● *Iron Ore*—Production increased 10 per cent last year to set a new record of 19 million tons; exports rose 10.5 per cent to 17.3 million tons. Prices also went up 10 per cent and the export value rose 20 per cent to almost Sw.Kr. 1,000 million. Domestic demand for ore climbed during the year and Sweden dipped into reserve stocks to supply export commitments. West Germany was again the chief customer, followed by the United Kingdom and Belgium.

● *Iron and Steel*—In response to heavy demand for iron and steel at home and abroad, the industry boosted output 12 per cent to 1.67 million tons, which represents 90 per cent of capacity. There was a shortage of nickel for alloys but otherwise the supply of raw materials proved satisfactory. Exports of commercial iron and steel rose 47 per cent and consisted mainly of the cheaper qualities. Imports fell 21 per cent to 664 thousand tons, largely because of weak demand for thin plating.

## The Engineering Industries

The number of orders for engineering products decreased in 1955 because of the curb on investments in Sweden and other countries. Yet demand was good,

\*One Swedish Krona=\$0.1847 Canadian

prices increased and output rose an estimated 4 to 5 per cent, although the industry faced a shortage of skilled workers. Export sales expanded considerably, to 20 per cent above 1955; non-European markets accounted for most of the increase. Overseas sales of automobiles and parts, for example, rose 60 per cent; Belgium, the United States and Argentina absorbed most of the gain. Imports of engineering products also rose 10 per cent.

### Farm Output Remained Steady

Agricultural production in 1956 remained about the same as the 1955 total but 10 per cent lower than the 1950-54 average; crop returns rose and output of animal products fell. The bread grain harvest reached 1,219 thousand metric tons against 887 thousand tons in 1955 and 1,321 thousand in 1954. Exports of agricultural products increased in value from S.Kr. 322 million to S.Kr. 391 million, with exports of butter and feed grains up; wheat sales fell to 145,600 tons as against 161,500 in 1955 and 380,400 in 1954. A large proportion of Swedish wheat goes to West Germany to meet her commitments under the current trade agreement; she imported 45,250 tons of wheat in 1956 but only a small part came from Canada.

Farm mechanization continued in 1956 but at a somewhat slower rate than in previous years. The financial effects of the smaller harvests in 1954 and 1955 and restrictive government credit policies held back investment in machinery.

### Foreign Trade Increases

Sweden's foreign trade plays a very important part in her economy and represents about 25 per cent of the gross national product. This explains why Sweden is a low-tariff country with duties averaging about 9 per cent ad valorem. Normally about 15 per cent of Sweden's total trade is with her northern neighbours, Denmark, Norway and Finland; approximately one-third of her exports go to the countries in the European Customs Union and two-thirds to three-quarters to the countries which are expected to form the European Free Trade Area (in which, incidentally, Sweden is likely to participate). Five to 10 per cent of Sweden's trade is with dollar countries.

#### SWEDISH TRADE BY COUNTRIES 1956

(in millions of kronor)

	Imports	Exports	Balance of Trade
West Germany .....	2,513	1,371	-1,142
United Kingdom .....	1,583	1,784	+ 201
United States .....	1,171	516	- 655
Canada .....	52	90	+ 38

Trade in 1956 increased 6 per cent over 1955 for imports and 10 per cent for exports, and imports exceeded exports by Sw.Kr. 1,380 million. In 1955 there was a similar deficit of Sw.Kr. 1,404 million. The

import surplus with countries participating in the OEEC diminished from Kr. 955 million to Kr. 693 million; exports to this area increased 13 per cent and imports increased only 6 per cent. West Germany was Sweden's largest supplier, providing about 22 per cent of total imports and the United Kingdom was the largest customer, taking over 17 per cent of Sweden's foreign sales. Trade with the sterling area recorded an export surplus but trade with dollar countries, which rose 20 per cent over the previous year, was in deficit Sw.Kr. 924 million, of which Sw.Kr. 665 million was with the United States. The increase in exports resulted mainly from larger shipments of iron ore, iron and steel products, and products of the engineering industries. Among Sweden's traditional exports, only timber products decreased.

On the import side, payments for fuel rose substantially because of higher prices and increased quantities; purchases of machines, instruments and means of transport increased about 15 per cent in volume. Imports of iron and steel decreased after a sharp rise in 1955. Raw materials for the textile industry, semi-manufactured products, and finished articles all showed a slight decrease.

#### VALUE OF SWEDISH IMPORTS

(in millions of kronor)

	1954	1955	1956
Foodstuffs, etc. ....	1,616	1,801	1,883
Fuel .....	1,353	1,720	2,165
Textiles .....	1,151	1,152	1,090
Machines, instruments & means of transport	2,165	2,336	2,674
Base metals & products thereof .....	1,157	1,449	1,529
Other goods .....	1,751	1,879	2,076
TOTAL .....	9,192	10,337	11,416

### Record Trade with Canada

Swedish-Canadian trade in 1956 rose to record heights. This country's exports to Canada in recent years have increased steadily and last year totalled Sw.Kr. 89.7 million; our exports to Sweden showed a somewhat smaller gain, totalling Sw.Kr. 51.6 million. Sweden's purchases of Canadian chemicals showed the largest increase—from Sw.Kr. 7.5 million to Sw.Kr. 13.3 million; her imports of minerals increased from Sw.Kr. 2.1 million to Sw.Kr. 4.7 million, and electric machines from Sw.Kr. 1.0 million to Sw.Kr. 2.3 million. Imports of Canadian iron and steel decreased from Sw.Kr. 3.3 million to Sw.Kr. 1.8 million, but imports of other metals and metal products increased from Sw.Kr. 5.0 million to Sw.Kr. 8.7 million. Swedish purchases of Canadian hides and skins decreased from Sw.Kr. 2.4 million to Sw.Kr. 1.8 million. According to Swedish statistics, imports of Canadian tobacco which reached 7.8 million kronor in 1955 fell to practically nothing in 1956. The increased Swedish sales to Canada

resulted mainly from our purchases of iron and steel products, machines, instruments and minerals.

During the year, the Government took steps to liberalize further imports from dollar countries. For example, the state monopoly which controlled imports of agricultural products was abolished in 1956 and quantitative restrictions on the monopoly products were replaced by fixed import fees. This has opened the market for various agricultural products from the dollar area. The list of dollar goods liberalized in 1956 includes fish, casings, flaxseed, linseed oil, cosmetics, furs, certain precious metals, industrial diamonds, pig iron, primary aluminum, primary nickel, scrap of base metals, anodes, tires, cameras, plastic products, toys, and imitation jewellery.

Revenue from shipping and other services have made it possible for Sweden to reduce the deficit in the balance of payments and during the year Sweden

added Sw.Kr. 214 million to her foreign exchange reserves to bring them up to Sw.Kr. 2,765 million, more than 90 per cent of which is in gold and dollars.

Indications are that prosperous conditions in Sweden will continue during 1957. The inflationary trend of 1955 appears to have slackened somewhat and export markets for most products are considered stable.

Although Sweden's population is not large (7.2 million), it is a wealthy country with the highest income per capita in Europe. The free list on dollar goods should remain in force at least at its present level and may even be extended. Sweden is a country with low tariffs and one well worth further attention from Canadian suppliers. The market is highly competitive and has a high standard of quality; products offered must be adapted to local tastes and technical standards. A visit to Sweden often paves the way to more satisfactory sales. ●

## Switzerland

*Main Swiss industries enjoyed marked increases in export sales last year but some now approaching maximum capacity. Demand for imported raw materials, foodstuffs, and manufactured products continues to rise. Competition is keen, but Canadian manufacturers who gain a foothold there will find Switzerland a prosperous, steady market.*

N. W. BOYD,

*Assistant Commercial Secretary, Berne.*

A RECORD VOLUME OF INDUSTRIAL AND RESIDENTIAL CONSTRUCTION and of exports, especially by the engineering and watchmaking industries, provided the impetus for a further upswing in the Swiss economy during 1956; the strong domestic market and expansion of the tourist trade made additional contributions. In spite of a record volume of imports, consumer prices rose slightly, partly because of the increase in ocean freight rates following the Suez crisis. Some of the main industries have reached capacity production and one of the main reasons is a tight labour market, particularly for skilled and farm workers.

Business conditions in the engineering industry, the largest employer and exporter, were more than satisfactory in 1956. Deliveries increased by 10 per cent

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and yet the year ended with a backlog of orders for 8½ months, nearly one month more than a year earlier. In terms of value the watchmaking industry exported more than in the previous record year, 1953. The chemical and pharmaceutical industry also reported a successful year. Cottons were the highlight in the textile industry; other sectors showed wide variations.

The construction business once again proved to be the mainstay of domestic activity. Outlays for factory, hydro-electric and road construction exceeded the previous year's total. Residential construction slackened towards the end of the year; credit tightened and demand eased off.

Agriculture did not make out very well last year because of extreme weather conditions. The severe winter of 1955-56 destroyed over 60 per cent of the winter wheat crop. This, together with excessive rain in the summer, reduced the bread grain crop to 60,000 tons, which represented less than one-third of a normal crop. The vegetable, fruit and grape crops also suffered losses.

### Credit Restrictions Eased

The Swiss money market continued to tighten in keeping with the business boom and the substantial increase in foreign trade. Effective May 15, the Swiss National Bank increased the bank rate from 1½ to 2½ per cent and the interest rate for loans against securities from 2½ to 3½ per cent, the first changes in

## Swiss Foreign Trade by Principal Commodities

(in million Swiss francs)

Imports				Exports			
Commodities	1956	1955	1954	Commodities	1956	1955	1954
Foods .....	696	502	457	Machines .....	1,339	1,237	1,099
Machines .....	621	490	404	Watches .....	1,235	1,077	1,040
Raw metals .....	517	385	296	Pharmaceuticals .....	451	405	382
Automobiles .....	411	334	266	Instruments and apparatus .....	437	399	359
Raw textiles .....	342	293	327	Aniline dyes .....	282	270	296
Fruit and vegetables .....	313	280	255	Cotton fabrics .....	178	171	172
Sheet iron .....	240	207	146	Chemicals for industrial use .....	176	152	128
Instruments and apparatus .....	215	186	168	Cheese .....	127	111	112
Wheat .....	176	116	145	Embroideries .....	121	118	112
Raw coffee .....	120	101	121	Staple fibre .....	102	101	79
Rubber articles .....	105	88	73	Silk and synthetic fibres .....	90	99	97
Crystallized sugar .....	89	65	66	Woollen thread and fabrics .....	80	64	58
Lumber .....	88	88	63	Aluminum .....	74	75	77
Cotton and wool fabrics .....	87	81	80	Cotton thread .....	69	56	49
Oil fruits .....	80	65	75	Ready-to-wear .....	64	59	55
Raw tobacco .....	79	77	74	Tobacco products .....	51	55	54
				Knitted wear .....	46	41	40
<b>Total Imports .....</b>	<b>7,597</b>	<b>6,401</b>	<b>5,592</b>	<b>Total Exports .....</b>	<b>6,204</b>	<b>5,622</b>	<b>5,272</b>

these rates since 1936. Yet, despite the stringency now prevailing in the money market, Swiss interest rates are among the lowest in the world.

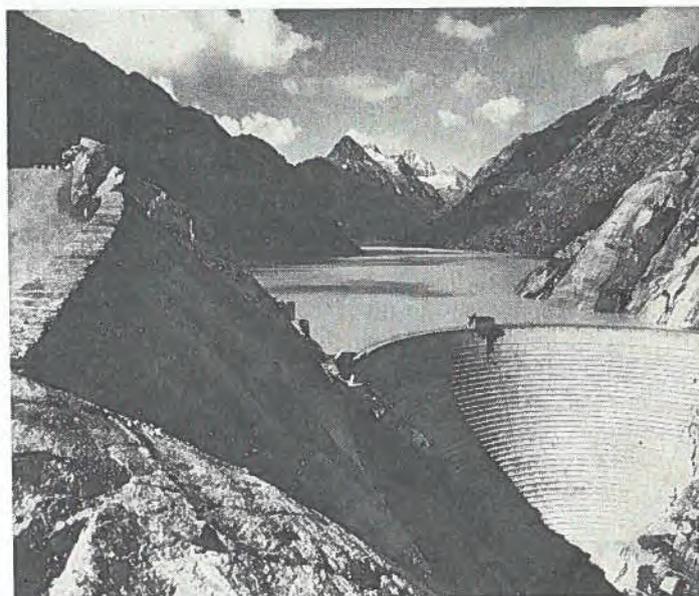
Foreign bond issues floated in Switzerland during 1956 dropped to S.Fr. 285 million\* from S.Fr. 427 million in 1955. This is not surprising in view of the heavier domestic demand for capital but nevertheless Switzerland continues to be an important capital exporter and her investors have not ignored Canada. It is estimated that at the end of 1956 Swiss investment in Canadian securities exceeded \$500 million. This figure does not include Swiss direct investment in real estate projects or branch plants in Canada.

### Foreign Trade Increases

Swiss foreign trade attained a new record in 1956. Imports were valued at S.Fr. 7,597 million, up 18.7 per cent from 1955. This expansion resulted mainly from the brisk activity in capital investment and the growth of income, as well as from purchases made to build up inventories following the Suez crisis. Consequently there were considerably larger imports of both raw materials and manufactured products, especially iron and copper, foodstuffs, machinery and automobiles; Canadian wheat deliveries alone in 1956 increased by S.Fr. 33.7 million over the previous year. Imports of chemical raw materials, cocoa beans and fodder declined slightly.

Exports reached a record S. Fr. 6,204 million, 10.3 per cent higher than in 1955. But sales abroad again failed to keep pace with imports and the trade deficit last year reached S.Fr. 1,394 million as against

S.Fr. 779 million in 1955. This adverse balance absorbed the greater part of Switzerland's net receipts from services and financial transactions with foreign countries. The four main Swiss industries—chemicals, watches, textiles, and engineering products—each enjoyed marked increases in export sales and together accounted for 70 per cent of the over-all rise in exports last year. Foreign sales of beverages and foodstuffs, particularly chocolate and cheese, also climbed during the year. As in 1955, the EPU countries supplied 70 per cent of Switzerland's imports and at the same time



Hydro-electric power plays a vital part in Swiss industrial development, and large dams like this one are a familiar sight. Outlays on hydro-electric construction in '56 were high.

\*One Swiss franc=\$0.2229 Can.

provided a market for two-thirds of Swiss exports. West Germany headed the list as Switzerland's most important trading partner, followed by the United States, Italy, the United Kingdom and Benelux.

### Trade with Canada Expands

With trade expanding in both directions, Canada's traditional favourable balance of trade with Switzerland was even more pronounced during 1956. Canadian purchases from Switzerland rose 7 per cent to S.Fr. 110.8 million and Canadian sales to Switzerland increased 22.2 per cent to S.Fr. 189.9 million. The large increase in Canadian sales resulted almost entirely from greater sales of wheat which reached almost 11 million bushels.

Among the other commodities of importance in Swiss trade with Canada, appreciable changes in exports to Switzerland took place in the following:

INCREASES	DECREASES
Synthetic resins, n.o.p.	Copper rods, strips, sheets
Aluminum in primary form	Wood pulp
Barley	Oats
Asbestos and products thereof	Drugs and chemicals, n.o.p.
Agricultural seeds	Sparkplugs
Furs	Pulpwood
Manufactures of iron, n.o.p.	Polystyrene
Antibiotics, n.o.p.	Washing machines, domestic
Films, n.o.p.	
Platinum, etc., in concentrates	
Bars of iron and steel	
Automobiles	

Watches, machinery and engineering products, chemical and pharmaceutical products, textiles and cheese accounted for the bulk of Canadian purchases from Switzerland.

Arrangements were made during the year for Switzerland's provisional accession to the General Agreement on Tariffs and Trade. Swiss representatives at the OEEC discussions on the Free Trade Area are playing an active role and it is presumed that Switzerland will be a member of this organization if it becomes a reality.

### Market Outlook

More and more, Swiss economic policy has moved to check excessive boom conditions and rising prices; the decline in the number of building permits issued in the latter half of 1956 is evidence of the effectiveness of these moves. It is likely that investment in residential construction will revert to normal in the coming months. But there is no evidence that economic activity in general will decrease in the near future—provided that Switzerland can obtain from abroad all the raw materials she needs.

The Swiss market is free and competitive. There are no foreign exchange problems and imports are admitted

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without discrimination and, except for various agricultural products, are almost entirely free from controls. Canadian firms seeking a market there face world-wide competition as well as a thriving domestic industry. The Swiss market is conservative and consumers tend to stress durability of goods. It is not an easy matter to sell in Switzerland, but once they have attained a foothold, Canadian manufacturers will find it a prosperous and steady market. ●

## West Germany

*Federal Republic now ranks third among world traders; trade surplus in 1956 more than double 1955 figure; gold and foreign exchange reserves still growing. Purchases from Canada reached \$142 million last year, with wheat and aircraft in the lead; imports into Canada reached \$89 million.*

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

THE AMAZING PROGRESS AND PROSPERITY which have characterized the economy of the Federal Republic of Germany since its establishment in 1949, and especially since its recovery of full sovereignty in May 1955, continued throughout 1956 and have carried on to this moment. In year's-end messages Chancellor Adenauer was able to refer to "the seven fat years" just completed and Professor Erhard, Minister of Economic Affairs, to claim that the German people achieved in 1956 the highest standard of living in their history.

The remarkable growth which has taken place over the past five years in Canada's trade with Germany also persisted in 1956 and shows good promise of continuing in the future.

Trade figures for last year show that Canadian exports to West Germany rose from \$91 million in 1955 to \$142 million in 1956, an increase of 56 per cent. The Federal Republic was Canada's third market, exceeded only by the United States and the United Kingdom. In 1951, by contrast, exports to Germany amounted to only \$37 million and held but tenth place.

Wheat was again Canada's most important single export to this market: sales to Germany more than doubled, from \$35 million in 1955 to \$74 million (Canadian

statistics) in the calendar year just past. In fact, wheat accounted for just over half the total exports. Because West Germany is one of the world's great wheat importers (she is the largest importing member of the International Wheat Agreement) and because her purchases of Canadian wheat are exceeded only by those of the United Kingdom, it may be useful to give the following German figures, showing her wheat imports in the past two years from chief supplying countries.

#### WEST GERMANY'S WHEAT IMPORTS 1955/1956

	1955		1956	
	Thousand Metric	Million	Thousand Metric	Million
	Tons	DM*	Tons	DM
All countries .....	2,435	795	2,970	934
Canada .....	538	196	964	307
United States .....	617	193	780	243
Argentina .....	328	112	370	117
France .....	598	170	289	82
Australia .....	84	26	287	87
Uruguay .....	3	0.8	101	31

\*4.39 Deutsche Mark (DM) equal \$1.00 Canadian.

Important quantities are also supplied by other countries such as Sweden and Turkey. Canada was the leading supplier by value in 1955 and by both value and volume in 1956. The quantities of grain purchased from each supplying country are still controlled by the West German Ministry of Food, Agriculture and Forestry. Accordingly, in addition to the normal contact with the private grain trade, a close relationship is maintained with the Ministry by the Canadian Wheat Board and the Department of Trade and Commerce through the Board's European representative in London and the Canadian Embassy in Bonn.

Apart from its own importance, the movement of wheat from Canada to Germany renders a service to many other products entering into German-Canadian trade by providing the basis for the excellent shipping connections now available between the two countries.

#### Trade Has Tripled

The table below, based on DBS returns, shows the course of German-Canadian trade since 1951.

	1951	1952	1953	1954	1955	1956
	<i>(nearest millions of dollars)</i>					
Exports to West Germany	37	95	84	87	91	142
Imports from West						
Germany .....	31	23	36	44	56	89
Total trade .....	68	118	120	131	147	231
Excess of exports .....	6	72	48	43	35	53
Exports of wheat .....	11	40	39	44	35	74
Exports of barley .....	1	32	21	0	0	5
Exports other than wheat and barley .....	25	23	24	43	56	63

These figures show the important growth which has marked the trade in both directions; it has roughly tripled since 1951. They emphasize the importance of the German market for Canadian wheat and, on occasion, for barley. But they reveal also the great expansion which has taken place in Canadian exports other than wheat. In fact, West Germany purchases in Canada of goods other than wheat (amounting to \$63 million), exceeded total exports of Canadian products into any other country except the United States, the United Kingdom, Japan, and the Union of South Africa.

#### Germany's Exports to Canada

German industrialists, traders, and government leaders and officials are all very much aware of the fact that, since their country is relatively poor in natural resources other than coal, they can acquire the raw materials and bulk foodstuffs which they need only through their own exports. For this reason the steady rise in exports to Canada since 1952 is welcomed in Germany, especially because of the difficulties which German exporters had to overcome in the Canadian market because of its size, its sparse population, and its traditional pattern of purchasing many United States and British goods.

Nevertheless, in 1956 Canada's sales to Germany exceeded her purchases by \$53 million, and it is probable that an export surplus will continue at least in the foreseeable future. The main reasons for this are the structural differences in the economies of the two countries and the large contract (\$75/90 million) for *Sabre* fighter planes, manufactured by Canadair Ltd. of Montreal and powered by Orenda jet engines, placed in December 1956 by the West German Ministry of Defence. Germany's increasing interest in Canada's basic raw materials such as iron ore, aluminum, nickel, uranium, etc.; the demonstrated liking of German millers for Canadian wheat; and the widened opportunities which her prosperity and increasingly free import policy present for other Canadian products, including certain consumer goods and a few processed foodstuffs, indicate that German imports from Canada will continue at a high level. However, on a per capita basis Canada's purchases of German goods greatly exceed Germany's purchases of Canadian products.

#### Current Business Conditions

By the close of 1956 almost every index of German economic progress had again moved upward compared with the preceding year. This has been largely true also of the early months of 1957. In many cases, however, the rate of progress has slackened. It would be surprising and perhaps even disturbing to the Germans if this were not so.

The Government and the central bank have taken strong measures, both direct and indirect, against

inflation. In fact, the inflation problem has probably been dealt with as firmly and successfully in West Germany as in any other comparable country. This fact, plus the Suez crisis, created problems among the import community. Some tendency to overstock because of the crisis and the drop in freight rates which followed its resolution placed certain importers in difficulties and generated a bearish sentiment in some quarters.

### Trade Surplus Doubled

Germany's foreign trade totalled DM 59 billion last year, an increase of nearly 20 per cent over 1955. Exports rose from DM 25.7 billion in 1955 to DM 30.9 billion in 1956, a rise of 20 per cent. Imports increased by 14 per cent—from DM 24.5 billion in 1955 to DM 28 billion in 1956. The increases in quantity were 16 per cent for exports and 12 per cent for

imports. The index of foreign trade prices (1950 equals 100) rose from 120 to 124 for exports and from 106 to 108 for imports. West Germany's share of total world trade increased slightly, from 7 per cent in 1955 to 7.1 per cent in 1956; (in 1951 it was only 3.7 per cent). She again ranked third among the leading countries in world trade as she has since 1954; in that year she displaced Canada and regained the position traditionally held by Germany as a whole before the war.

The overall trade surplus was DM 2.9 billion in 1956 as against DM 1.2 billion in 1955. This brought the net gold and foreign exchange reserves of the Central Bank to DM 17.9 billion by the end of December 1956, compared with DM 12.8 billion at the end of 1955. The reserves at the close of 1956 were made up as follows: (in billions of DM): gold 6.3; dollars 7.4; other foreign exchange 4.2. ●

## Trade Commissioners on Tour

*The following officers of the Trade Commissioner Service are at present on tour in Canada or will begin a tour shortly. The detailed itinerary for each is:*

**A. W. EVANS**, formerly Trade Commissioner in Cape Town, South Africa:

Montreal—June 17-24	Hamilton—July 5
Fredericton—June 25	Windsor—July 9
Saint John—June 26	Sarnia—July 10 (p.m.)
Halifax—June 28	London—July 11
Guelph—July 2	Brantford—July 12
Kitchener—July 3 (a.m.)	Victoria—July 15
Galt—July 3 (p.m.)	Vancouver—July 16-19
St. Catharines—July 4 (a.m.)	Winnipeg—July 22-
Welland—July 4 (p.m.)	

**G. F. G. HUGHES**, formerly Commercial Secretary in Beirut, Lebanon:

Toronto—June 17-28	London—July 4
Hamilton—July 2	Kitchener, Fergus—July 5
Brantford—July 3	

**WILLIAM JONES**, formerly Commercial Secretary for Canada in New Delhi, India:

Montreal—June 24-28

**D. B. LAUGHTON**, formerly Trade Commissioner in Port-of-Spain, Trinidad:

Winnipeg—June 24-26 (a.m.)	Saskatoon—July 2
Regina—June 28	Edmonton—July 4 (p.m.)—5

JUNE 22, 1957

Calgary—July 8-9	Victoria—Sept. 3
Vancouver—Aug. 26-30	

**B. A. MACDONALD**, formerly Commercial Counsellor in Bonn, West Germany:

Charlottetown—July 3	Fredericton—July 8
Saint John—July 4	Quebec—July 9-12
Black's Harbour—July 5	

**D. A. B. MARSHALL**, Commercial Counsellor (Agricultural) in London:

Chatham—July 2-3	Toronto—July 8-10
London—July 4	Belleville—July 11-12
Hamilton—July 5-6	

**T. J. MONTY**, Commercial Counsellor in Brussels, Belgium:

Montreal—June 12-28	Toronto—July 2-13
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*Businessmen who wish to see these officers should get in touch with the Board of Trade or Chamber of Commerce in the cities mentioned, with the following exceptions. In Toronto and Winnipeg, the Trade Commissioners make their headquarters at the offices of the Canadian Manufacturers Association; in St. John's, Ottawa and Vancouver, at the Department of Trade and Commerce; in Victoria, at the Department of Trade and Industry, and in Fredericton at the Department of Industry and Development.*

# The European Common Market Treaty

*On March 25, 1957, the Treaty instituting a European Common Market was signed in Rome by the Ministerial representatives of the six member countries: Belgium, France, Germany, Italy, Luxembourg, and The Netherlands. Here is a factual summary of the main provisions of the Treaty which have particular interest for Canada.*

W. LAVOIE,  
*International Trade Relations Branch.*

THE TREATY signed three months ago is the result of persistent efforts towards closer European co-operation and the outcome of months of negotiations on the basis of the Brussels report which was the subject of an article in *Foreign Trade* of December 8, 1956. Its ratification by the respective Parliaments is expected to take place in the course of this year and, should all of them ratify it in the following months, it might well become operative by January 1, 1958.<sup>1</sup>

The six countries concerned are all members of the GATT and they have now submitted the Common Market Treaty to the GATT Contracting Parties. Detailed consultations will be taking place in the coming months with a view to ensuring that the application of the Treaty is consistent with GATT principles and commitments. In the meantime, the Contracting Parties to the GATT are seeking as much clarification as possible on the more important provisions in order to set the stage for a meaningful and effective GATT review of the treaty.

The Treaty consists of 248 articles, supplemented by eight lists of products, 11 protocols and one convention which cover practically the whole field of economic, trade and financial relations between the member countries. No attempt is made here to interpret its pro-

visions. Apart from the trade and institutional features which are described here, it should be noted that the Treaty also provides, among other things, for the free movement of labour, services and capital, a common transport policy, and common rules of internal competition.

## Objectives Set Out

The objectives of the European Economic Community as described in the preamble to the Treaty are to promote the harmonious development of economic activities throughout the Community, a continuous and balanced expansion, greater stability, rising standards of living, and close relations between the member states. The signatories are agreed that the central instruments for achieving these objectives shall be the establishment of a Customs Union and a progressive co-ordination of the economic policies of the member states. The Treaty does not only call for the eventual free movement of goods but provides also for the abolition within the Community of all obstacles to the free circulation of persons, services and capital, with a view to ensuring the harmonious distribution of all factors of production within the Community. On the other hand, the Treaty does *not* provide for a full-fledged economic union. It calls for the highest degree of uniformity possible in the fiscal, budgetary, monetary, social and other policies of the six countries by the end of the transition period, but it does not provide for the complete integration of these policies under a single authority.

## Transition Period Provided

The Treaty provides that the Common Market is to be established progressively over a period of from 12 to 15 years, divided into three stages of four years each. Unless the member countries agree unanimously that the objectives of the first stage have been met, the first stage is automatically prolonged for one year. Another maximum extension of two years may also be obtained. The normal duration of the second and third stages (four years each) cannot be extended or shortened except by unanimous decision of the Council of Ministers of the Community. It is stipulated, however, that the transition period cannot be stretched beyond a total of 15 years from the entry into force of the Treaty.

<sup>1</sup> In addition to the six countries, the other members of the Organization for European Economic Co-operation (United Kingdom, Sweden, Norway, Denmark, Switzerland, Austria, Turkey, Portugal, Greece and Ireland) are now engaged in negotiating a Free Trade Area arrangement which will eventually be associated with the Common Market.

The establishment of a Customs Union is the central feature of the Treaty creating an Economic Community. It provides for:

- The elimination of import duties and taxes of equivalent effect between the members of the Community so that, after 12 to 15 years, the movement of goods within this Community of 160 million customers will be free of customs barriers.
- The establishment of a common tariff structure on goods coming from the outside world.

### **Internal Tariffs to Be Eliminated**

The Treaty provides for the progressive elimination of customs duties in respect to trade between the member states in three stages of four years each. The obligations are defined in detail for every stage except the last one:

1. During the first stage, the first reduction of 10 per cent takes place one year after the Treaty has entered into force, followed by two successive reductions of 10 per cent at intervals of 18 months.
2. During the second stage, two successive reductions of 10 per cent are made at intervals of 18 months, followed by a third reduction one year later.
3. During the third stage the rhythm for the remaining tariffs to be eliminated (40 per cent) will be determined by the Council of Ministers.

### **Method of Elimination of Customs Duties**

The first reduction of 10 per cent is a general reduction which applies to the basic customs duties maintained by member states on each product. At the time of each successive reduction, member countries will reduce their total customs levy so that the over-all incidence of the tariff will be cut by 10 per cent on the basis of 1956. At the same time, the reduction for each product must equal at least 5 per cent of the basic rate. Individual rates in excess of 30 per cent must be reduced to a greater extent—a minimum reduction of 10 per cent per sub-stage.

By the end of the first period, tariffs will therefore have been lowered generally by at least 30 per cent and after the second period by 60 per cent. The reduction to be made in the third period will therefore be one of 40 per cent. At the same time, member governments undertake to do their best to insure that each individual tariff shall have been reduced by at least 25 per cent by the end of the first stage and by 50 per cent at the end of the second stage. The remaining reduction required to abolish tariffs altogether will be

made during the third stage in accordance with a time-table to be decided by the Ministerial Council of the Community.

### **Other Obstacles to Trade**

Export duties and taxes equivalent to export duties on trade within the Common Market must be abolished by the end of the first stage. The Treaty provides, moreover, that no member country shall, directly or indirectly, levy any internal tax on the products of partner countries which it does not apply under the same conditions to its own domestic products. Internal taxes on products not domestically produced, designed to protect indirectly a domestic industry, are also prohibited.

Revenue duties are in principle subject to the same rules as other duties and must be abolished. They may, however, be replaced by an internal tax which does not discriminate against imports.

### **Common External Tariff**

The common external tariff on imports from outside the Community must be put into force before the end of the 12-15 year transition period. This feature constitutes the essential difference between a Customs Union as envisaged in the Treaty and a Free Trade Area, because the latter does not involve the setting up of a common external tariff. Thus, Canadian exports to any country of the Community will eventually be subject to the common tariff instead of the existing separate tariffs of the member states. However, Canadian exports will in general continue to be subject to the present tariff treatment in each country up to the end of the first stage, when the first alignment of the existing national duties with the common tariff is to take place. In the meantime, the new schedule of common tariffs will be fixed either through the general rules set forth in the Treaty or through negotiations among the member states. These common tariffs will come under detailed examination and negotiation by the Contracting Parties to the GATT in advance of their being put into effect.

### **Calculation of the Common Tariff**

In principle, the common external tariff will be the arithmetical average of the duties actually applied by member states on January 1, 1957. The Treaty, however, introduces corrections and exceptions to this general rule and the common tariff on a number of products enumerated in various lists appended to the Treaty will be fixed in accordance with somewhat different rules. For the products enumerated in List A, the French have asked that higher levels of duty for France be used in calculating the arithmetical average. This list includes particularly certain chemical products, paper and paperboard, machinery, fibre and thread of textiles, etc. There are also provisions to the effect that

the common tariff must not exceed the following maximum ceilings: 3 per cent for List B (generally raw materials); 10 per cent for List C (mostly semi-manufactured goods); 15 or 25 per cent for Lists D and E (organic and inorganic chemicals, dyes, and plastic materials). If for List E the Benelux countries levy duties lower than 3 per cent, these duties are fixed at 12 per cent for the calculation of the arithmetical average.

Another list of products, consisting mainly of agricultural commodities and raw materials and made up of about 100 items, sets forth common rates of duty which have been fixed by common agreement during the drafting of the Treaty. The list of duties includes canned salmon at 20 per cent, canned lobster at 20 per cent, oil seeds and raw hides and skins duty-free, patent leather at 12 per cent, unwrought copper and nickel duty-free. Finally, about 70 items of special interest to the member countries are included in List G and duties on these will be fixed through negotiations among themselves. The Treaty allows each member state to add other products to this list within the limits of 2 per cent of the total value of imports from outside countries in 1956. This list includes briefly the following products: animal and vegetable fats and oils, frozen salmon, coffee, chocolate, flour, lumber, pulp, unwrought aluminum, lead and zinc ores, parts for motor vehicles, engines.

### Time-Table for the Common Tariff

Assuming that the Treaty comes into effect on January 1, 1958, Canadian exports to the participating member states will continue to be subject to the national duties at least up to 1962; at the end of that time the member countries will implement the first adjustment of their national duties to the common tariff. A second adjustment will take place at the end of the second stage (possibly at the end of the eighth year of the transition period), and the new common tariff structure of the Community should be in force by the end of the transition period.

The alignment of the separate national tariffs will be carried out through the gradual reduction or increase of existing tariffs to the common level. For goods on which the national duties do not differ by 15 per cent or more from the fixed common duty on the corresponding products, members are to apply the common duty at the end of the fourth year from the time the Treaty comes into force. For other goods, members must reduce by 30 per cent the difference between the rates of the common tariff and those that they actually apply at the end of the fourth year from the time the Treaty comes into force, and reduce the remaining difference by another 30 per cent at the end of the second stage. The common tariff must be completed at the latest by the end of the transition period.

In the case of shortages within the Community, a member state may be authorized to admit products mentioned in Lists B, C, D, E, and G at reduced rates or free of duty, subject to certain safeguards and to periodic review. Similarly, a member may also be granted tariff quotas for agricultural products or may be authorized to suspend in part or in whole the tariff on them.

### Agricultural Sector Included

The Treaty provides for the inclusion of the agricultural sector in the proposed Common Market. But at the same time it specifies that the special provisions of the Treaty respecting agriculture, as well as all necessary measures to implement the agricultural objectives, shall override the general rules applicable to the Common Market. In general, except for the provisions relating to the minimum price system and long-term marketing agreements, the Treaty confines itself to setting forth the general principles which will govern the objectives of a *common agricultural policy*. Soon after the Treaty enters into force, an agricultural conference will be called with a view to elaborating the details of this common policy. These will be gradually developed during the transition period and implemented not later than the end of that period.

Under the terms of the Treaty, the objectives of the common agricultural policy are stated as to increase the productivity of the agricultural sector, to ensure a fair standard of living to the farm community, and to stabilize markets. These objectives are to be achieved through the adoption of a common system of agricultural market organization. Depending on the products, which are to be specified, the common system will take one or other of the following forms:

1. Common rules governing competition. There will be a regime of internal freedom of production and trade subject to certain rules of competition.
2. Compulsory co-ordination of the various national systems of marketing organization.
3. A Community system of market organization.

The common system, under any of the three forms, may entail any measure necessary to achieve its aims—in particular, price regulations based on uniform methods of calculation, production and marketing subsidies, stocks and carry-over systems, common devices for stabilizing imports or exports. In addition there is provision for the establishment of one or more agricultural guarantee funds.

The list of products annexed to the Treaty and which will be covered by the special provisions on agriculture includes cereals, flour and fish, as well as preserved meat, fish and vegetables. During the two years following ratification of the Treaty, the Council may add other commodities to the list.

A minimum price system for certain products may be introduced unilaterally by any member country if the progressive removal of quantitative restrictions and duties between member countries is likely to lead to prices which may imperil the objective of the common policy.

It is provided that below the fixed minimum prices, imports may be suspended or reduced; if their prices are higher than the minimum, they may be permitted. In the latter case, the minimum prices do not include duties. The Commission will propose objective criteria for establishing minimum price schemes and fixing these prices and a procedure for revising these criteria, once the Treaty is in force. Afterwards, the Council of Ministers will be entitled to rectify any decisions which do not conform with the defined criteria. At the end of the transition period, if some products are still subject to a minimum price scheme, the Council will decide the scheme to be applied to these products under the common agricultural policy.

### Long-Term Arrangements

The Treaty also provides that during the transition period increased trade be pursued through long-term agreements concluded during the first stage between exporters and importers of the Community in respect of certain products not yet specified. The quantities covered by these contracts will be determined on the basis of the average volume of trade between the parties during the last three years preceding this Treaty. There is also provision for an increase in quantities over the years, having regard to traditional channels of trade. With regard to prices, these agreements will enable the producers to sell the agreed quantities at prices approaching progressively those paid to producers in the market of the importing member. Prices are to be negotiated according to directives issued by the Commission.

The Treaty further provides that imports from non-member countries cannot be affected by long-term contracts if these imports are required for processing and re-export outside the Community, unless the Council unanimously decides to subsidize the purchase of such commodities within the Community.

### Elimination of Internal Restrictions

The Treaty stipulates in principle that quantitative import restrictions and all measures of equivalent effect as between the members are prohibited and no new restrictions are to be introduced.

The existing restrictions must be eliminated at the latest by the end of the transition period on the basis of a time-table prescribed by the Treaty. One year after the Treaty comes into force, each member is to transform all existing bilateral quotas into global quotas

which will be open without discrimination to all other member states. At the same time, the sum of the global quotas must be increased by 20 per cent compared with the preceding year and each quota by at least 10 per cent a year. These increases are to be repeated annually thereafter.

### Institutions of the Community

The Treaty provides for four institutions which are designed to play a fundamental role in the life of the Community:

- *An Assembly* which shall exercise the powers of deliberation and control attributed to it by the Treaty.
- *A Council of Ministers* with powers of decision. Its decisions are to be taken unanimously, by qualified majority, or by simple majority, depending on circumstances.
- *A Commission* of nine independent members which will supervise the application of the provisions of the Treaty, formulate recommendations, have its own powers of decision under conditions provided for in the Treaty, and take part in the preparation of the Acts of the Council and of the Assembly.
- *A Court of Justice.*
- *An Economic and Social Committee* which will advise the above institutions.

In addition, the Treaty provides for three main financing organs.

*The European Social Fund* is designed to smooth over the difficulties resulting from the dismantling of obstacles to trade by facilitating the employment, geographical and vocational mobility of workers. *The European Investment Bank* is to assist in the financing of investment connected with the modernization and reconversion of enterprises with special attention to the development of economically backward European areas and to the financing of projects of interest to several European countries which cannot be financed in any other way. Its basic capital is to total \$1 billion. *The Overseas Fund* is intended to finance projects of a special or infrastructural nature located in non-European territories but in countries having special links with member governments. This fund will total \$581 million.

### Trade Policies towards Outside Countries

The preamble and various specific provisions of the Treaty re-affirm the wish of the signatory powers to conduct their policies in the new framework to be instituted in a way designed to promote the "progressive elimination of restrictions on international trade". Thus Article 110 states: "In establishing a customs

union between themselves, the Member Countries are determined to contribute... to the harmonious development of world trade, to the gradual elimination of restrictions to international trade, and to the reduction of customs barriers". The Treaty provides that the rights and obligations resulting from other international agreements are not affected by the provisions of this Treaty. This article further provides that where there is any conflict between such other agreements and this Treaty, the member countries will resort to all appropriate measures to eliminate such conflicts including, if necessary, the adoption of a common attitude to this end.

The Treaty provides also that the trade policies of the member countries shall be co-ordinated so that "a common policy in respect of foreign trade" will be achieved by the end of the transition period. Tariff negotiations with outside countries will be conducted by the Commission instead of individual member governments and in accordance with the directives of the Council, and standardization of liberalization lists with regard to third countries is also envisaged. The Treaty also stipulates that member countries must adopt a common action in international organizations after the end of the transition period and concerted action during this period.

The establishment of the Community is not intended to be exclusive. The six countries are prepared to extend participation in it to any of their European partners who wish to join. At the same time, the Treaty has been made sufficiently flexible to make possible adjustments and modifications to fit with the provisions of a Free Trade Area.

Similarly, the members of the Community have introduced a great deal of flexibility in the Treaty to facilitate any negotiations with outside countries. In many instances, only agreement in principle has been secured, leaving the implementation to the institutions of the Community.

### **Association of Overseas Territories**

The members agree to associate with the Community the non-European territories which have special relation with Belgium, France, Italy and The Netherlands<sup>1</sup>. The Treaty states that the object of the association is to promote the economic and social development of these territories and the establishment of close economic relations between them and the whole Community.

<sup>1</sup> The countries in question are: French West Africa, French Equatorial Africa, St. Pierre and Miquelon, Comoro Archipelago, Madagascar, French Somaliland, New Caledonia, French Settlements of Oceania, French Togoland, French Cameroons, Belgian Congo and Ruanda-Urundi, Italian Somaliland and Dutch New Guinea. In addition, association will be proposed to the independent countries belonging to the franc zone (Morocco, Tunisia, Saar, Monaco, Cambodia, Laos, Vietnam and New Hebrides), and to Libya, Surinam and Netherlands Antilles. Lastly, parts of Treaty will apply to Algeria and other French Overseas Departments.

The Treaty stipulates that the members shall apply to their trade with these overseas territories the same regime as they do between each other. On the other hand, each overseas territory shall apply to its trade with the members of the Community the same regime which it applies to the European state with which it has special relations.

Tariffs will be progressively abolished within each of the associated territories on imports from other territories and members of the Community. However, the associated territories will be allowed to impose tariffs if these are called for because of needs of their development or industrialization or for fiscal purposes. By the end of the transition period any such tariffs must be applied equally against all other members of the Community. These provisions will not apply to those territories such as the Belgian Congo and Ruanda-Urundi which, because of existing international obligations, are obliged to maintain a non-discriminatory tariff. The relations between the Community and the territories will be governed for the first period of five years by a convention annexed to the Treaty.

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### **Help for the Business Traveller**

*The businessman travelling abroad will often find that Canadian Trade Commissioners can do much to make his trip pleasant and profitable—provided that they have advance notice of the date of the visitor's arrival, his main interests, and his itinerary. Too often, Canadian businessmen fail to take full advantage of a Trade Commissioner's help by dropping in on him without warning.*

*If you are travelling abroad on business and think the Trade Commissioner might assist you, you should give early notice of your trip to the Trade Commissioner Service of the Department of Trade and Commerce in Ottawa. Give the Service your itinerary and say whether you would like the Trade Commissioners in the countries you will visit to collect information in advance of your arrival, to arrange appointments, or to assist in other ways. If you prefer, you may write directly to these officers at their posts asking for their co-operation. If you are planning to initiate new business, it may be helpful to forward samples and descriptions of your products so that the Trade Commissioner will have a chance to make a market survey beforehand.*

# Import Liberalization in Europe

*This check list shows how the countries with which this special issue deals have liberalized imports from dollar countries and from countries in the Organization for European Economic Co-operation. Apart from the liberalized dollar products, many other goods are also being admitted into these countries from Canada, subject to approval of each transaction.*

IONA BUDGE, *International Trade Relations Branch.*

## Dollar Imports

## OEEC Imports

**Austria** Effective October 15, 1956, Austria liberalized a long list of imports from Canada and from the United States. This measure expands considerably the list of liberalized dollar imports which came into force in July 1955. Import permits are granted freely without quantitative or currency restrictions for the listed goods. Among the liberalized products are some of Canada's major exports to Austria such as synthetic rubber, synthetic resins and crude non-ferrous metals. Many other raw materials and machinery and some consumer goods were also freed.

**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, regardless of their origin; this list has been amended several times since May 1954. Licences are granted freely for most goods under licensing, with no discrimination against dollar imports. Many, but not all, unrestricted imports are also on the common Benelux dollar import list permitting free circulation to the Netherlands.

**Denmark** On February 23, 1955, and in three further steps, Denmark liberalized a number of dollar imports, including synthetic rubber, lumber, wood pulp, flaxseed, undressed hides and skins, primary non-ferrous metals, synthetic resins, certain agricultural machinery, etc. Moreover, import licences are granted freely for certain listed dollar goods which have not been liberalized, mainly industrial machinery.

*Austria took its first step towards OEEC liberalization in July 1953, freeing 36 per cent of private OEEC imports based on the year 1952. Six further steps in quick succession, the latest one on January 1, 1956, have brought the total to 90.3 per cent. The list does not include wheat but it includes wood pulp, lumber, various metals, asbestos, etc.*

*On July 1, 1955, Belgium-Luxembourg and the Netherlands brought into effect a common liberalization list for imports from OEEC countries. It covers 91.1 per cent of OEEC imports into the Benelux countries based on the year 1948. In Belgium-Luxembourg it replaces a separate list which amounted to 87.7 per cent of 1948 OEEC imports into these countries. As indicated in the left-hand column, the authorities of Belgium-Luxembourg do not discriminate against dollar imports in the application of import restrictions.*

*OEEC liberalization has been in force since November 1949. Various additions to the list have raised the liberalization to 85 per cent of private OEEC imports based on the year 1948. Apart from commodities from dollar countries which have also been liberalized, the OEEC list also includes coarse grains, asbestos, etc. It does not include wheat.*

## Dollar Imports

**Finland** Since December 23, 1955, import licences have been granted freely for a list of dollar imports provided that prices, quantities and qualities are reasonable. This list includes primary aluminum, nickel and zinc, various chemicals, magnesite fire brick, certain equipment for motor vehicles, etc. On December 14, 1956, import allocations under this scheme were reduced 20 per cent as an interim measure. The Finnish import system is being revised and details of its future operations are not yet available.

**France** Effective January 3, 1956, France freed from quantitative restrictions various imports from Canada and the United States, including ores of iron, copper, manganese; base metal scrap; aluminum oxide; raw furskins; wood pulp; magnesite fire brick; certain industrial and agricultural machines, etc. Effective March 16, certain emergency measures to restrain imports were introduced by the French Government. Among the new restrictions affecting certain Canadian exports is an increase in the Special Temporary Compensation Tax from various lower rates to a uniform rate of 15 per cent ad valorem.

**Germany (Federal Republic)** In five steps between February 1954 and May 1957, 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, rapeseed and linseed oil, various chemicals, farm machinery, various industrial machinery, several agricultural products, iron oxides, coal and coke, polyvinyl chloride, fur garments, asbestos manufactures except brake and clutch linings, all copper manufactures, aluminum foil, cobalt, office calculating machines, zinc, printing paper, newsprint, all asbestos articles and certain chemicals.

**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.

## OEEC Imports

*Finland is not a member of the OEEC. However, she admits imports from European countries and from all other non-dollar sources in the same manner as dollar products and applies this system to certain additional non-dollar goods.*

*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 82.3 per cent.*

*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 91.5 per cent. Like the dollar list, it does not include wheat nor other cereals, since they are under state trading.*

*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 95 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.*

## Dollar Imports

## OEEC Imports

**Ireland** Since October 7, 1954, the Republic of Ireland has permitted 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 freely most other goods from dollar countries up to a value of £250 every three months. However, there are other import controls which must be complied with. These arise out of the Agricultural Produce (Cereals) Act and similar legislation.

**Italy** On August 10, 1954, and on April 7, 1956, Italy liberalized a number of dollar imports in addition to certain others which were freed in a series of steps taken since 1946. The liberalized goods are largely industrial raw materials such as synthetic rubber, lumber, base metals and ores, crude asbestos, raw chemicals, hides and skins. Moreover, some other products are also liberalized, including salted cod, inedible tallow, various types of machinery including certain office machines, etc.

### **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.

**Norway** Effective July 1, 1956, and again on April 1, 1957, Norway freed from quantitative restrictions various imports from Canada and the United States, including synthetic rubber, flax seed and clover seed, iron ore and ores of non-ferrous metals, nickel-copper matte, certain types of machinery, primary and semi-fabricated non-ferrous metals, and various other products. Although the liberalization applies to most industrial materials and capital goods, certain manufactured goods such as canned meats, fruits and vegetables, outboard motors, assembled motor

*Ireland has liberalized 90.2 per cent of private OEEC imports based on the year 1948. The list does not include wheat, coarse grains, automobiles, etc.*

*Italy's liberalization of OEEC imports amounts to 99.1 per cent of private imports from OEEC countries 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.*

*On July 1, 1955, the Netherlands and Belgium-Luxembourg brought into effect a common liberalization list for imports from OEEC countries. It covers 91.1 per cent of OEEC imports into the Benelux countries based on the year 1948. In the Netherlands it replaces a separate list which amounted to 92.5 per cent, calculated on the basis of private OEEC imports into the Netherlands alone in 1948. The Benelux list for OEEC imports is somewhat more extensive than the Benelux dollar list.*

*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 80.6 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, etc.*

## Dollar Imports

## OEEC Imports

vehicles, aircraft and synthetic resins have not been liberalized.

**Portugal** Since August 6, 1955, import licences are being granted freely for certain listed dollar imports including wheat, canned fish, whisky, synthetic rubber, various chemicals, crude asbestos, unwrought aluminum and copper, etc.

**Spain** All imports from dollar countries require import licences. Dollar imports are largely confined to essential goods not available from non-dollar sources.

**Sweden** On October 1, 1954, and again in January 1955, January 1956 and July 1956, Sweden freed from restrictions and licensing requirements many dollar imports, including the following items: nickel or oxide, synthetic rubber, various ores, bookkeeping and calculating machines and parts, steel plates, sheets and strips, cattle hides, primary aluminum and polystyrene.

**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.

*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. In January 1952, Portugal suspended all quantitative restrictions on European imports cleared before April 11, 1952, with a few exceptions. Since then such imports have remained liberalized to the extent of approximately 93.7 per cent of private OEEC imports in 1948.*

*Spain has not liberalized any imports from OEEC countries.*

*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 92.6 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. For a number of agricultural products, including bread grains, import monopolies and quantitative restrictions were suspended on September 1, 1956, for as long as the domestic prices remain within certain fixed price limits.*

*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 91.3 per cent of OEEC imports based on the year 1948.*



## Trade and Tariff Regulations

### Bermuda

**COMMERCIAL TRAVELLERS**—The Chief Immigration Officer, Bermuda, has announced that it is an offence for a non-Bermudian travelling salesman to engage in gainful occupation unless he has the permission of the Board of Immigration.

It is also an offence for any resident of Bermuda to deal with a travelling salesman whom he knows or has reasonable cause to believe has not the permission of the Board.

### Ireland

**IMPORT DUTIES ON AGRICULTURAL EQUIPMENT**—Under Emergency Imposition of Duties Order, 1957, Ireland has imposed the following duties on certain agricultural equipment:

Under Tariff Item No. 115/9, the duty on a variety of agricultural hand forks and component parts has been increased to 50 per cent ad valorem full rate, and 33½ per cent ad valorem preferential rate (applicable only to Canada and the United Kingdom). This duty is effective from May 14, 1957. Originally such goods were dutiable at 30 per cent ad valorem and 20 per cent ad valorem. A duty-free licensing provision is attached to this order.

A new duty of 37½ per cent ad valorem full rate, and 25 per cent ad valorem preferential rate (applicable only to Canada and the United Kingdom) has been imposed, effective May 21, 1957, on the following:

- (a) Agricultural machines which are completely assembled or substantially completed, and which are designed and constructed for mounting at the rear of, or for haulage in operation by, a mechanically-propelled vehicle and which are:
  - (i) tool bar frames or tool bar frames fitted with ridging plough bodies, cultivator tines, or drill cleaner discs;
  - (ii) cocklifters; or
  - (iii) broadcast spreaders of the spinner type of a hopper capacity not exceeding 20 cubic feet for spreading of seeds or fertilizers;

- (b) A number of articles imported at the one time consisting collectively of a complete or substantially complete aggregate of parts for any article mentioned in sub-paragraph (a) which is chargeable with this duty.

- (c) Component parts imported otherwise than as described in sub-paragraph (b) and each of which exceeds twenty shillings in value, of articles mentioned in sub-paragraph (a) which are chargeable with this duty, excluding

- (i) steel plough mould boards or breasts;
- (ii) steel discs;
- (iii) steel ploughshares;
- (iv) chains and sprockets therefor;
- (v) power-drive shaft assemblies complete with universal joints and parts thereof; and
- (vi) wheels suitable for fitting with tires, and tires and tubes therefor.

A duty-free licensing provision is attached to this order—Dublin, May 28.

### United Kingdom

**QUOTA FOR CHEESE ANNOUNCED**—The Board of Trade (a department of the British Government) announced on June 5th that imports of natural cheese from North America during the year July 1, 1957, to June 30, 1958, will be authorized up to the same value as in the three previous quota years, namely £1.5 million C.I.F.

### United States

**1957 TARIFF QUOTA FOR WOOLLEN AND WORSTED FABRICS**—Last September the President established a tariff quota for the remainder of 1956 on imports of most woollen and worsted fabrics, invoking the so-called "Geneva wool fabric reservation." The "Geneva wool fabric reservation" is a right that was reserved to the United States under the General Agreement on Tariffs and Trade in connection with a tariff concession granted on woollen and worsted fabrics dutiable under United States

tariff paragraphs 1108 and 1109(a). It permits the ad valorem rates of duty to be increased to 45 per cent when imports of woollen and worsted fabrics exceed 5 per cent of the average annual United States production of similar fabrics for the three preceding calendar years.

On May 24th, the 1957 quota was determined by the President to be 14 million pounds. Therefore, until this year's imports reach this figure the reduced rates of duty still apply. However, imports in excess of it will pay the higher rates of duty.

Tariff paragraphs 1108 and 1109(a) read as follows:

Par. No.	Quota Rate	Ex quota Rate
1108	Woven fabrics weighing not over four ounces per square yard, wholly or in chief value of wool:	
	With warp wholly of cotton or other vegetable fibre .....	per lb. 30 ¢      30 ¢
	and	ad val. 25 %    45 %
	Other .....	per lb. 37½¢    37½¢
	and	ad val. 25 %    45 %

1109(a) Woven fabrics weighing over four ounces per square yard, wholly or in chief value of wool:

Green billiard cloths in the piece, weighing over 11 but not over 15 ounces per square yard, wholly of wool .....	per lb. 37½¢	37½¢
and	ad val. 20 %	45 %
Other .....	per lb. 37½¢	37½¢
and	ad val. 25 %	45 %

**EXEMPTIONS FOR GIFT PARCELS**—The United States Post Office announced on May 15th the elimination of the customs clearance and delivery fee on bona fide gift parcels which enter the United States free of customs duty.

At the same time, it was announced that henceforth dutiable parcel postal packages and small packets would be subject to a customs clearance and delivery fee collected by the U.S. Post Office of 33 cents each, and all postal union articles other than small packets would be subject to a fee of 13 cents each.

## Coming to Canada on Business

THE INFORMATION about foreign business visitors given here is, to the best of our knowledge, accurate at the time of going to press. We cannot, however, accept responsibility for any changes in itineraries nor for cancellation of plans. This information is published as a service and in no way represents sponsorship or selection by the Department of Trade and Commerce. We cannot undertake to enter into correspondence about these visitors.

### ► from Hong Kong

L. C. PU, assistant general manager, China Resources Co., Hong Kong, an official trading agency of the Government of Mainland China, will visit Canada from the middle of May to the end of June. The purpose of his visit is to explore the market possibilities in Canada for Chinese goods and to become familiar with the types of Canadian goods available for export to his country. He will visit Quebec City and Ottawa for three days each, beginning on June 22 and June 26 respectively.

His forwarding addresses in Canada are the Toronto Board of Trade, Toronto; Quebec Board of Trade, Quebec City.

### ► from India

HARI S. GUPTA, a partner in the firm of Hira Lall and Sons, New Delhi, will visit Canada the latter part of July. Purpose of his visit is to market Indian handicraft such as ivory works, brass artware, 'zari' metal thread embroideries, wood carvings, silk scarves, handloom fabrics, and incense sticks. Itinerary is as follows: Ottawa July 22 and 23, Toronto July 24 to 27, Montreal July 29 and 30, Quebec City July 31. Buyers wishing to contact Mr. Gupta should write to him c/o American Express Co. in Toronto and Montreal, or c/o Commercial Secretary, Office of the High Commissioner for India, Ottawa.

### ► from the United Kingdom

E. S. OBADIAH, managing director, ESOW Fabrics Ltd., Manchester, will visit Canada during June on his return journey from a tour of the Far East. He will investigate the market in Canada for his company's full range of cotton piece goods. He may be contacted through the offices of the United Kingdom Trade Commissioner in Vancouver, Edmonton, Winnipeg, Toronto, or Montreal.

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 equivalent 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 buying rate is that at which banks purchase exchange from exporters. The selling rate is that at which banks sell exchange to importers.

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

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

For conversion to United States dollar equivalent multiply by 1.049538.

# foreign exchange rates

Country	Unit	Type of Exchange	Can. dollar equivalent June 7	Units per Canadian dollar	Notes (See below)
Argentina	Peso	Official	.05293	18.89	(1)
		Free	.02406	41.56	
Austria	Schilling		.03665	27.29	
Australia	Pound		2.1255	.4705	
Belgium, Belgian Empire and Luxembourg	Franc		.01895	52.77	
Bolivia	Boliviano	Free	.0001236	8090.6	(17)
British West Indies	Dollar		.5535	1.807	(2)
	Pound		2.656875	.3764	(3)
	Dollar		.6642	1.506	
Brazil	Cruzeiro	Effective selling*			
		Category I	.0157	63.62	*May 17 (4)
		Category II	.0115	86.92	
		Category III	.0091	110.06	
		Official buying	.0519	19.27	(5)
Burma	Kyat		.2001	5.00	
Ceylon	Rupee		.1993	5.018	
Chile	Peso	Free	.001637	610.87	(15)
Colombia	Peso	Basic			(7)
		Free*	.1524	6.56	*June 6
Costa Rica	Colon	Official	.1697	5.89	
		Controlled free	.1435	6.97	
Cuba	Peso		.9528	1.05	tax 2% (4)
Czechoslovakia	Koruna		.1323	7.56	
Denmark	Krone		.1379	7.25	
Dominican Republic	Peso		.9528	1.05	
Ecuador	Sucre	Official	.06352	15.74	
		Free	.05408	18.49	(6)
Egypt	Pound	Official	2.7361	.3655	
El Salvador	Colon		.3811	2.62	
Fiji	Pound		2.3936	.4178	
Finland	Markka		.004143	241.37	
France, Monaco and North Africa	Franc		.002723	367.24	(8)
French Colonies in Africa	Franc		.005446	183.62	(9)
French Pacific	Franc		.01498	66.76	(10)
Germany	D Mark		.2269	4.41	
Greece	Drachma		.03176	31.49	
Guatemala	Quetzal		.9528	1.05	
Haiti	Gourde		.1906	5.25	
Honduras	Lempira		.4764	2.10	
Hong Kong	Dollar	Free*	.1514	6.60	*May 31
		Official	.1661	6.02	(6) (11)
Iceland	Krona	Official	.05851	17.09	
India	Rupee		.1993	5.018	(12)
Indonesia	Rupiah	Basic	.08390	11.92	
Iran	Rial	Certificate	.0126	79.50	
Iraq	Dinar		2.6679	.3748	
Ireland	Pound		2.6569	.3764	
Israel	Pound		.5293	1.89	
Italy	Lira		.001530	653.59	
Japan	Yen		.002647	377.79	

\*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent June 7	Units per Canadian dollar	Notes (See below)
Lebanon	Pound	Free	.2978	3.36	
Mexico	Peso		.07623	13.12	
Netherlands	Florin		.2488	4.02	
Netherlands Antilles	Florin		.5013	1.99	
New Zealand	Pound		2.6569	.3764	
Nicaragua	Cordoba	Effective buying	.1444	6.93	
		Official selling	.1351	7.40	
Norway	Krone		.1334	7.50	
Pakistan	Rupee		.1993	5.018	
Panama	Balboa		.9528	1.05	
Paraguay	Guarani	Official	.01588	62.97	(6) (13)
Peru	Sol	Certificate	.05015	19.94	
Philippines	Peso		.4764	2.10	
Portugal & Colonies	Escudo		.03325	30.08	(14)
Singapore & Malaya	Straits dollar		.3100	3.23	
Spain & Dependencies	Peseta	Controlled free	.02269	44.07	
Sweden	Krona		.1842	5.43	
Switzerland	Franc		.2224	4.50	
Syria	Pound	Free	.2662	3.76	
Thailand	Baht	Free	.04628	21.61	(6)
Turkey	Lira		.3403	2.94	(6)
Union of South Africa	Pound		2.6569	.3764	
United Kingdom	Pound		2.656875	.376382	
United States	Dollar		.9528125	1.049524	
Uruguay	Peso	Free	.2334	4.28	
		Basic buying	.6289	1.59	(6)
		Principal selling	.4545	2.20	(16)
Venezuela	Bolivar		.2844	3.52	
Yugoslavia	Dinar		.003176	314.86	(6)

\*Latest available quotation date.

## notes

1. Argentina: additional rates result from exchange retentions on export proceeds and surcharges on imports.
2. Barbados, Trinidad, Tobago, Leeward and Windward Islands, British Guiana.
3. Bahamas, Bermuda, Jamaica.
4. Tax of 10 per cent affects selling (import) rates only. Tax is based on official rate, and is therefore 1.88 cruzeiros per U.S. dollar.
5. Brazil: currency certificates auctioned for five import categories. Effective selling rate is official rate of 18.82 to U.S. dollar plus price of certificate. Exporters receive cruzeiros at official rate plus exchange premiums ranging from 18.70 to 48.64 cruzeiros per U.S. dollar, depending on product. Three rates shown cover bulk of transactions for auction.
6. Additional rates are in effect.
7. Colombia: stamp taxes of 10, 40, 60, and 90 per cent on imports depending on essentiality. The free rate applies to minor exports and less essential imports.
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 selling rate applies to certain designated commodities.
12. Indonesia: basic rate applies to most exports and a few essential imports. Purchase of exchange for other imports is subject to surcharge of 50, 100, 200 and 400 per cent depending on products.
13. Official rate applies to exports and essential imports. For non-essential imports there is a surcharge of 25 guaranis per U.S. dollar.
14. Portugal: approximately same rate for Portuguese Territories in Africa.
15. Chile: free rate applies to exports and to imports, except prohibited imports. Chilean importers must deposit local currency in amounts ranging from 5 to 200 per cent, depending on product, prior to shipment of goods.
16. Certain essential imports are subject to a fixed rate of 2.10 pesos per U.S. dollar, and no longer require import permits. Other imports are subject to the free rate, and are under quota. Exports are subject to a variety of rates according to the product. Exports will be divided into eleven categories for exchange rate purposes. Depending on the product, the export rates which will apply range from 100 per cent of the free rate to 100 per cent of the basic export rate of 1.519 pesos per U.S. dollar.
17. Bolivia: Since December 15, 1956, a unified fluctuating free rate has been in effect. The official rate has little application.