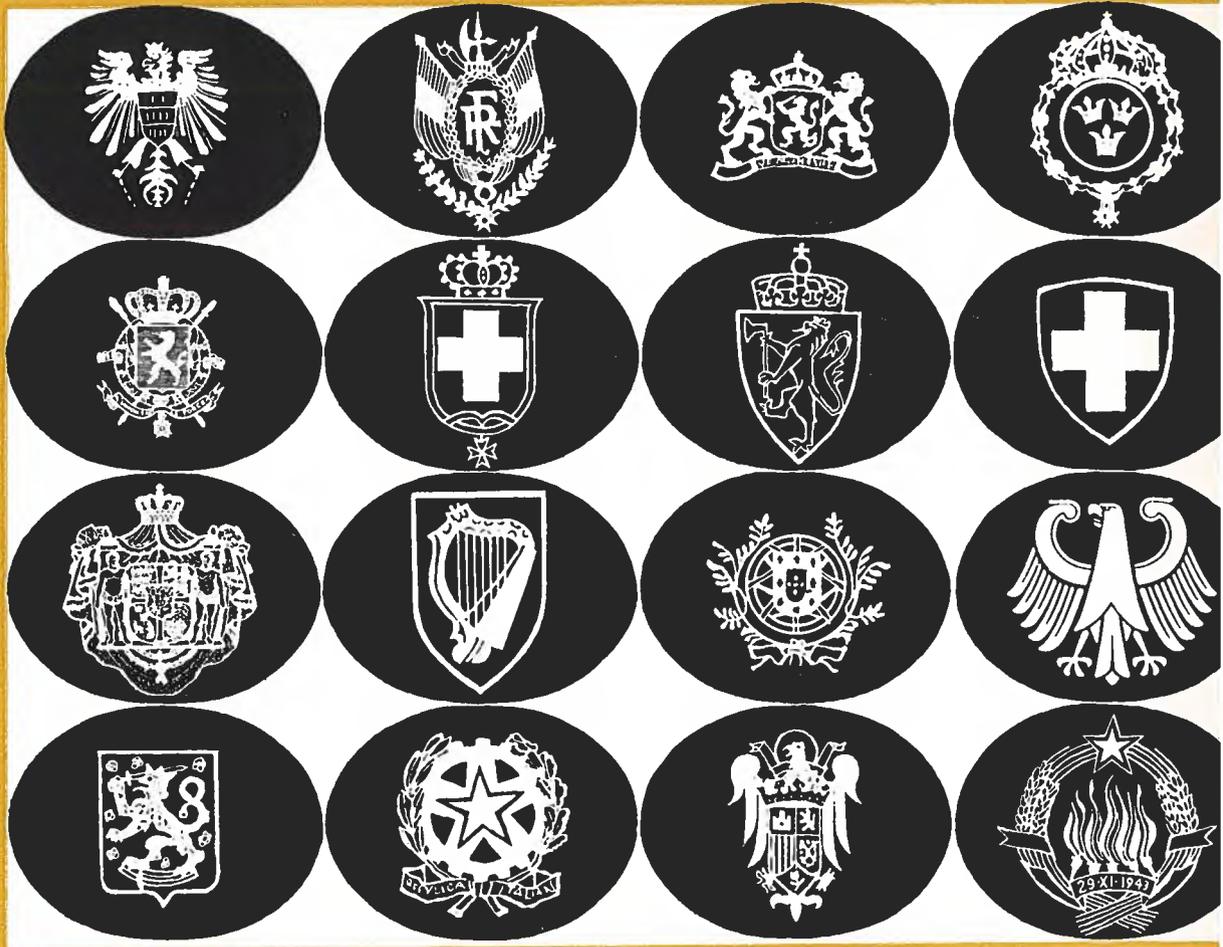


JULY 2, 1960

foreign trade



WESTERN EUROPE—A YEAR OF RECOVERY

foreign trade

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COVER

The coats-of-arms of sixteen European nations introduce our annual review of business conditions, trade, and trading prospects in Western Europe in 1959 and early 1960. Austria appears top left, the other countries follow alphabetically, column by column, top to bottom, ending with Yugoslavia. For an analysis of Canada's trade with Europe, turn to page three.



C A N A D A

-
- 3** **Canada's Trade with Western Europe . . . a brief look at the 1959 trading performance and 1960 prospects in sixteen European countries.**

Business Conditions in:

- | | | | |
|-----------|-------------------|-----------|------------------------|
| 6 | Austria | 23 | Italy |
| 8 | Belgium | 25 | The Netherlands |
| 11 | Luxembourg | 27 | Norway |
| 12 | Denmark | 29 | Portugal |
| 14 | Finland | 31 | Sweden |
| 16 | France | 34 | Switzerland |
| 18 | Greece | 36 | West Germany |
| 21 | Ireland | 39 | Yugoslavia |

- 43** **European Trading Arrangements . . . a look at the steps the Six and the Seven have taken in the past few months and at those still to come.**

- 47** **Import Liberalization in Europe . . . a useful summary of progress made in dismantling import restrictions and of controls still in effect.**

20 **Views on Tariffs Sought**

42 **Canada in European Markets**

- | | | | |
|-----------|-------------------------------|-----------|-------------------------------------|
| 51 | Foreign Exchange Rates | 50 | Trade Commissioners on Tour |
| 46 | Tours of Territory | 49 | Trade and Tariff Regulations |

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Return of prosperity to Western Europe apparent in increased production, more active foreign trade. Canadian exports to the area, down in 1959, are again rising. Formation of regional trading blocs constitutes new challenge.

WESTERN EUROPE'S remarkable economic revival is apparent in fine new buildings, well-stocked shops, and streets crowded with motor vehicles. Expanding production following the recovery from the recession of 1957-58 increased the gross national product of these countries by 4 per cent and industrial production by 7 per cent in 1959. The expansion is soundly based. Prices have remained reasonably stable; growing foreign exchange reserves have eased balance-of-payments problems; most Western European currencies are freely convertible; quantitative restrictions in many categories have been removed; discrimination against dollar imports has ended in many European countries. The freeing of some European capital markets and increased North American investment in the area are further evidences of prosperity.

In spite of these solid accomplishments, a sizable percentage of imports into the Western European countries remains subject to restrictions. Protectionism is particularly evident in the agricultural field. The effort to secure trade and economic wellbeing in Europe has brought to birth regional trade groupings—the European Economic Community (EEC) and the European Free Trade Association (EFTA). Canada, as an interested third country, stands to gain and to lose much through these developments and it is in her interests that the exclusive trade features of these groups should not result in an extension of commercial rivalry and discrimination. These important matters are examined in more detail on page 45.

Liberalization measures and Europe's new-found prosperity have combined to offer excellent trade prospects to Canadian exporters. In the first four months of 1960, Cana-

dian sales to Western Europe and Yugoslavia rose about 18 per cent to \$152 million from \$129 million during the same period last year. During 1959 Canadian exports to Europe reached \$460 million. In the previous year, they totalled \$556 million, including military aircraft valued at \$82 million. No military aircraft were exported in 1959 and this accounted for most of the difference, although wheat and flaxseed also declined.

European sales to Canada in 1959 were valued at \$375 million, up from \$316 million in 1958. This increase was most evident in motor-car imports, which rose to \$39 million from \$27 million; West Germany, France and Italy were the major suppliers, in that order. Europeans also found an increased market in Canada for a wide range of capital and consumer goods.

Major Canadian exports to Europe continue to be non-ferrous metals, wheat, flaxseed, rapeseed, rye, barley, asbestos fibres, wood pulp and pulpwood, newsprint, hides and skins, outboard motors, synthetic rubber, and certain other raw and semifabricated commodities. Chief Canadian imports from Europe in addition to motor vehicles include iron and steel products, textiles and other manufactured goods.

Markets Summarized

The prospects for trade between Canada and the individual countries of Western Europe are summarized in the following paragraphs.

Austria—Although Austria's total imports have been rising faster than her exports and monetary reserves have thus declined moderately, the Austrian economy is healthy. Discrimination against dollar imports in favour of the OEEC countries has been largely eliminated and further steps are planned. Wheat and other grains were recently placed under state-trading arrangements. It is not expected that the new arrangements will affect future Canadian trade adversely, though wheat sales in the first quarter of

CANADA'S TRADE WITH WESTERN EUROPE

JOHN E. LANCASTER,
*European Division, International
Trade Relations Branch.*

CANADIAN TRADE WITH WESTERN EUROPE

Country	Exports			Imports		
	1959	1958	1957	1959	1958	1957
	(millions of Canadian dollars)					
Austria	8.4	7.5	6.7	5.8	4.8	4.4
Belgium-Luxembourg	56.2	69.7	60.4	45.1	36.0	44.0
Denmark	5.6	5.0	3.5	9.5	7.8	8.6
Finland	2.8	2.3	0.9	0.9	0.6	0.5
France	43.6	45.2	57.5	58.2	41.1	36.2
Greece	4.0	4.7	4.1	0.4	0.4	0.5
Ireland	8.2	8.7	8.3	2.1	1.4	1.2
Italy	32.2	29.9	62.8	38.4	32.8	33.0
Netherlands	54.1	75.0	69.8	31.0	29.5	25.4
Norway	62.5	56.0	55.5	4.2	3.2	3.1
Portugal	3.1	2.3	2.6	3.0	3.0	2.7
Spain	6.2	6.7	5.9	5.7	6.7	5.6
Sweden	15.0	11.0	12.1	18.3	14.1	15.6
Switzerland	26.0	29.5	25.0	25.0	27.0	24.7
West Germany	129.6	201.9	151.9	126.6	106.0	97.6
Yugoslavia	2.6	0.2	0.2	0.6	0.8	0.6
Total	460.0	555.6	527.2	374.8	315.5	303.7

1960 declined substantially. At the same time, sales of certain industrial raw materials are increasing. In 1959 Canadian exports to Austria rose moderately.

Belgium-Luxembourg—The Belgo-Luxembourg Economic Union has recovered from the recent recession somewhat more slowly than its neighbours, but the Union's economy is sound and industrial production has increased. However, coal marketing remains a major problem. Exports are at a high level and expanding. Canadian sales to Belgium declined substantially in 1959 compared with 1958, largely because 1958 exports were inflated by sales of military aircraft; 1960 figures point to a sales recovery.

Denmark—The Danish economy has been experiencing a high level of activity and the increased internal demand has led to rising imports. The Danish Government on March 1, 1960, introduced new liberalization measures that placed the most imported commodities on the free list. At the same time, however, certain tariff rates were increased. Nevertheless, it is expected that purchases from Canada, which

rose slightly in 1959, will be maintained or even expanded.

Finland—The Finnish economy is enjoying unparalleled prosperity. Industry is expanding and though imports are rising somewhat faster than exports, foreign exchange reserves have increased. Imports from Canada and the United States are being accorded equal treatment with those from the OEEC countries effective January 1, 1960. Opportunities for certain Canadian exports have been enhanced—particularly for steel, outboard motors, sparkplugs, medicinal preparations, fresh apples and forage crop seeds.

France—Progressive relaxation of import restrictions has coincided with a growing strength in the French economy and in its international competitive position. Both capital investment in France and exports have increased substantially. During 1959, French exports to Canada exceeded imports for the first time but prospects for Canadian sales have improved, thanks to the new liberalization measures. This is borne out by the much larger Canadian sales in the first three months of 1960.

Greece—Greece has introduced a new Five-Year Plan (1960-64) which, with the help of foreign capital, is designed to expand production and strengthen the economy. A new customs tariff provides for increased rates of duty for certain agricultural commodities, synthetic textiles, shoes and some industrial products, and for decreased rates on selected raw materials and equipment for industry. A slight decline in Canadian sales in 1959 continued during the first three months of 1960.

Ireland—Ireland experienced a reasonably good year in 1959 and the outlook is promising. Although it is still primarily an agricultural economy, industrialization is proceeding apace. Commodity imports exceeded exports in 1959 but the balance of payments showed a surplus because of earnings from the tourist trade, investments, and other invisibles. Although Canada enjoys a preferred position in the Irish market, sales fell slightly in 1959 and sharply in the first four months of 1960.

Italy—The Italian economy is flourishing. This is revealed in the current holdings of gold and foreign exchange which now total some \$3,200 million, the third highest in the free world, after the United States and Germany. Industry in particular is booming and Italian exports reached a new high in 1959. In view of this progress Italy has removed many import restrictions, although discrimination against dollar imports of some agricultural and other commodities remains. Canadian exports to Italy increased in 1959 and in the first quarter of 1960. With the new liberalization measures and economic progress in Italy, this rise should continue.

Netherlands—The Netherlands economy is buoyant and industrial production has been expanding. The country's favourable economic and geographical position and its membership in the EEC have encouraged a growth in foreign invest-

ment in Dutch industry. Both imports and exports increased in 1959 and this trend is continuing; the greatest part of Dutch trade is carried on with other Western European countries. Canadian exports which fell in 1959 largely because of a drop in wheat sales are again on the rise, with an improvement in sales of wheat and of industrial raw materials and semifabricated goods, such as asbestos, iron ore, pulpwood, aluminum, and synthetic rubber.

Norway—Although industrial expansion has levelled off, there is no slackening in over-all economic activity. Exports have increased and the current payments deficit has decreased. Some Canadian agricultural exports are limited by quantitative restrictions and manufactured goods will face increased competition when tariffs among EFTA countries are removed. But because the bulk of Canadian exports consists of industrial raw materials, particularly non-ferrous metals, sales should be sustained and probably increased by the rapid growth of the European economy.

Portugal—The Portuguese economy, although it did not experience the boom common to most Western European countries, nevertheless achieved a 3 per cent increase in production last year. Successive six-year plans have guided the economy to expanded industrial production and away from an over-dependence on agriculture. Visible trade has been in deficit in recent months, but exports have risen faster than imports. Membership in EFTA may encourage and accelerate economic expansion. Canadian exports to Portugal and to the overseas provinces and colonies increased in 1959 over 1958. During the first three months of 1960 this rise continued, with emphasis on sales of salt cod and certain aluminum products.

Spain—On July 20, 1959, the Spanish Government introduced a stabilization program which in

effect reoriented the Spanish economy towards multilateral and away from bilateral trade. In line with this policy, imports of a wide range of commodities have been liberalized or placed under global quotas. The Spanish economy is not as buoyant as those of other Western European countries, but industrial production is increasing. Government loans are stimulating industry and the over-all balance of payments in recent months has continued in Spain's favour. Canadian exports, which dropped slightly in 1959, increased in the first quarter of 1960. Prospects for larger sales are promising because of the liberalization measures Spain has adopted.

Sweden—There was a marked upswing in the Swedish economy in 1959. Industrial production is increasing and high export earnings are contributing to foreign exchange reserves. For the first time in six years, the Swedish balance of payments was in surplus. Canadian exports to Sweden in 1959 substantially exceeded those of the previous year and increased again in the first three months of 1960. Because Canadian exports to Sweden consist largely of primary agricultural products and industrial materials, they should not be adversely affected by Sweden's membership in EFTA.

Switzerland—The Swiss economy in 1959 made outstanding progress which has continued into the new year. Foreign trade has expanded and increased exports have stimulated the economy. Imports, mainly from other European countries, have expanded. Imports from Canada declined somewhat in 1959 but have risen this year. Switzerland has no foreign exchange problems nor discriminatory restrictions against dollar imports.

West Germany—The current prosperity in West Germany has brought with it inflationary tendencies and the monetary authorities have tightened credit. Though out-

put is still rising, the rate of expansion is slower. Substantial foreign orders for capital equipment were received during 1959. The German foreign exchange position is very strong as a result of the large surplus and a decline in both private and public capital exports. Canadian exports to Germany fell substantially in 1959, largely because 1958 sales of military aircraft were not repeated; however, recent statistics reveal a significant recovery.

Yugoslavia—A good harvest and greater industrial production brought a 16 per cent rise in the gross national product. Exports, especially to Eastern Europe, expanded, with industrial goods well in the lead and agricultural products down; imports held steady. Canadian sales went up sharply last year because of substantial shipments of aluminum. However, a shortage of foreign exchange and the Yugoslav interest in bilateral trading arrangements makes this a restricted market for the Canadian supplier.

The Outlook

The substantial increase in Canadian exports to Europe in the early months of the present year indicates that Canadians are reaping the benefit of Europe's prosperity and trade liberalization. The short-term outlook suggests a continuation of this favourable trend. Nevertheless, a number of uncertainties should not be overlooked. Restrictive practices continue, particularly in the agricultural sector. Europe's ability to compete is spreading to a wider range of manufactured goods as well as some industrial materials of the type that Canada produces. Tariff discrimination expected to arise in the EEC and the EFTA could affect our trade prospects. At the same time, domestic consumption in Europe is increasing, living standards are rising, and industrial capacity and production are expanding. These factors point to the creation of new market opportunities for Canadians. ●

Austria

Austria has shared in European business upturn; production has risen and export trade revived. Canadian shipments up 10 per cent and import liberalization has widened opportunities.

H. K. ROTT, *Office of the Commercial Counsellor, Vienna.*

BOOM conditions have returned to Austria after a slowdown in the latter part of 1958 and in the first quarter of 1959. Business was particularly brisk in the second half of 1959 and this is continuing in 1960; in fact, the economy is showing signs of overstrain. Restrictive fiscal and monetary measures were put into effect this spring in an attempt to head off inflation. It is generally expected, however, that Austria will be able to maintain its present prosperity without any undue rise in prices and wages throughout the current year.

The gross national product reached a new record of Sch.134.6 billion* (approximately Can.\$5.2 billion) in 1959, 6.2 per cent above the preceding year. The real increase, calculated at 1958 prices, amounted to 3.8 per cent. That this fell far short of the 10 per cent annual increases achieved in the mid-fifties was basically the result of three developments: a relatively slow start at the beginning of the year, a high degree of employment which made growth largely dependent on more efficient production, and an exceptionally poor harvest because of unfavourable weather. This third factor proved fairly serious.

In terms of physical volume, agriculture produced 7 per cent less than in 1958. Potatoes, fruits and vegetables were primarily affected and livestock production, which increased during the year, failed to make up for the loss. The bread grain crop rose 6 per cent over 1958 because of larger acreage and a higher yield, but prolonged rainfall

caused damage during the harvest and part of the crop was only suitable for animal feed.

Industrial Output Up

Industrial production increased by 4.4 per cent in volume, roughly twice as much as in 1958. The various branches of industry, however, did not make uniform progress. The largest increases were registered by the metal foundries (13 per cent), the electrical appliances industry (12 per cent), the leather and shoe industry (11 per cent), the building materials industry (7 per cent), and the chemical industry (7 per cent). The magnesite and textile industries, which were hit hardest by the slowdown early in the year, recovered in the second half of 1959. Only the mining and engineering industries derived no benefit from the general revival of business.

Construction companies remained completely unaffected by the slowdown. They continued to have a considerable backlog of orders and by extending the building season into spring and fall, they managed a 6 per cent increase in construction over 1958.

Wholesale prices increased by 2.9 per cent and retail prices by only 1.4 per cent. The wage bill was 7 per cent larger than in 1958, not so much as a result of increased employment but because the 45-hour week was introduced early in the year on the basis of unchanged take-home pay and many wage-earners continued to work a 48-hour week. That real wages again modestly found tangible though modest expression in a greater demand for automobiles, television sets and various electrical appliances.

Stimulated by the upturn in business activity and, to a lesser extent, by the shorter working hours, the labour force grew by 1.5 per cent to 2.23 million. The average rate of unemployment sank from 5.3 in 1958 to 4.8 per cent in 1959. During the summer months an acute shortage of labour developed, particularly in the construction and tourist industries. Seasonal layoffs in these two industries are primarily responsible for the fairly high winter unemployment.

The favourable development of the economy resulted to a considerable degree from increases in consumption and investment. The volume of private consumption rose by 5 per cent, public consumption by 3.6 per cent, and gross investment by 4.3 per cent. Government spending played a significant role and the budget deficit of Sch.4 billion stimulated business.

Export Trade Revives

Nevertheless the world-wide recovery was probably the prime cause of the growth in Austrian production because it led to a revival of exports which in turn gave businessmen new confidence. This is not surprising, because between 25 and 30 per cent of Austria's gross national product normally is exported. In 1959 exports increased by 5.4 per cent in value to Sch.25.1 billion, compared with a 6 per cent decrease in 1958. The boom also stimulated imports, which rose by 6.6 per cent in value to Sch.29.7 billion (in 1958 they declined 5 per cent). Net income from invisibles, in particular from the tourist trade, made up for the deficit in commodity trade. On the other hand, the large surplus in the capital accounts section of the balance of payments in 1958 was not repeated because capital imports declined and fairly large repayments of foreign loans took place. The balance of payments had an over-all surplus of Sch.749 million in 1959, which meant a further rise in Austria's substantial gold and foreign exchange reserves. When an

*One Austrian schilling equals Can.\$0.03783.

outflow of reserves occurred this spring, monetary authorities showed little concern because they felt that it would be temporary.

Trade Patterns

The structure of Austria's foreign trade has changed little in recent years. In 1959, following the pattern since 1950, foodstuffs and raw materials accounted for approximately 40 per cent of total imports and semi-finished and finished goods for the remainder. On the export side, fully finished capital or consumer goods and semi-processed raw materials made up 70 per cent of exports and foodstuffs and industrial raw materials the remaining 30 per cent. In 1959 the most important imports were machines, tools, coal, passenger cars, iron and steel, fresh fruit, wool and cotton. The leading exports were products of the iron and steel industry, lumber, engineering equipment, instruments, pulp and paper, cellulose, textile products and glassware, in that order.

In spite of the establishment of the European Economic Community, the geographical distribution of Austria's foreign trade showed only a moderate change in 1959, partly because some of the tariff reductions instituted by EEC countries on January 1, 1959, were made applicable to all GATT members. Although there was an absolute increase of exports to EEC countries, shipments declined relatively from 50 per cent of Austria's exports in 1958 to 49.4 per cent in 1959. Sales to members of the European Free Trade Association, to which Austria belongs, increased from 12.3 per cent of total exports in 1958 to 13.2 per cent in 1959. The total volume of sales to EFTA countries is still fairly small but Austrians feel encouraged because exports to this area are rising, even though no tariff reductions within the EFTA group have yet taken place. Exports to Eastern European countries also showed a relative increase from 15.2 per cent in 1958 to 16 per cent in 1959.

Imports from EEC countries rose absolutely and relatively, largely because of West German sales efforts in Austria. The share of the EEC countries in the Austrian market increased from 56.7 per cent in 1958 to 59.5 per cent in 1959. This trend is likely to be reversed once tariff reductions within the European Free Trade Association take place. Imports from the EFTA countries increased relatively from 15.4 per cent of total imports in 1958 to 16 per cent in 1959.

Chief Trading Partner

Austria's most important trading partner continued to be West Germany. In prewar years only about 15 per cent of Austria's imports came from Germany but in 1959 the figure was slightly more than 40 per cent. West Germany was also Austria's best customer, purchasing 26.5 per cent of its exports. For any exporter interested in the Austrian market, West Germany is the competitor to reckon with. Most consumer goods imported by Austria from abroad, including such durable ones as automobiles and electrical appliances, originate there. Italy was Austria's second most important trading partner, but its position vis-à-vis Austria was exactly the reverse of Germany's: it supplied Austria with only 7.9 per cent of its imports and purchased 16.5 per cent of its exports. Austria's imports from the United States have fallen off steadily in recent years, largely because of smaller purchases of coal, cotton, corn and tobacco. In 1959 imports from the United States amounted to only 10.2 per cent of total imports; exports to the United States increased from 5.2 per cent of the total in 1958 to 6.6 per cent in 1959. The United States, which for years was second to West Germany among exporters to Austria, held fifth place in 1959 and now ranks third among Austria's customers.

Canadian-Austrian Trade

Canadian trade with Austria, though still modest, developed well

in 1959. Canadian exports to Austria rose in volume by 10.7 per cent and totalled, according to DBS figures, \$8,345,756. Imports from Austria, on the other hand, rose by 22.2 per cent and totalled \$5,852,207. Austria still showed a trade deficit vis-à-vis Canada but it was smaller than in previous years.

The composition of Canada's exports to Austria in 1959 is of some interest. Canadian wheat, which is held in high regard, constituted only 24.4 per cent of exports to Austria in 1959 against 35.2 per cent in 1958. Exports of molybdenite more than trebled and last year were, after wheat, the most important commodity. Canadian nickel was again in greater demand, but drugs and chemicals dropped almost 50 per cent. Shipments of asbestos were only slightly smaller than in 1958 and U.S.S.R. competition was felt less keenly than in previous years. Exports of medicinal preparations, bookkeeping machines, and edible meat offal were quantitatively less important but showed gratifying increases in 1959. For the first time last year, Austria purchased a little more than \$200,000 worth of tobacco from Canada. On the whole Canada's exports to Austria were more diversified than in 1958 and this fact, plus our success in obtaining a relatively larger share of the Austrian market in recent years, holds promise for the future.

Liberalization Continues

After considerable delay Austria published a new dollar liberalization list in October 1959. Quantitative import restrictions were removed from a fairly large number of durable and non-durable consumer goods. There still remained, however, a slight degree of discrimination between imports from dollar countries and from OEEC countries. On May 24, 1960, the Austrian Government resolved to eliminate these remnants of discrimination and it is understood that this new measure, which will

affect primarily certain imports of textiles, will come into effect shortly, when an addition to the dollar liberalization list is published.

Certain capital and consumer goods, as well as a number of raw materials which are available or produced in Austria, remain subject to quantitative import restrictions. It is difficult at this time to predict whether this hard core of restrictions which apply to all countries will also be lifted in the foreseeable future.

Earlier this year Austria eliminated certain grain imports from the products to be considered for liberalization by extending state control over grain imports and consequently deliberalizing them. Canada is not directly affected by this measure because Canadian grain exports to Austria have so far consisted only of wheat, which has always been subject to a certain measure of government control.

Outlook

Austrian experts are confident that 1960 will be at least as prosperous as 1959. Already there are signs of a boom leading to considerable inflationary pressures. The Minister of Finance has consequently stopped the floating of new government-backed loans and the National Bank, by requiring commercial banks to keep higher minimum reserves and by increasing the bank rate from 4.5 to 5 per cent, is attempting to curb monetary expansion not justified by economic growth.

For the time being, Canada's position in the Austrian market appears assured. Canadian goods are becoming better known and quantitative import restrictions have been removed on many products of interest to Canadian exporters. For this reason alone, Canada should be able to assume a relatively more important rôle among suppliers to Austria. The danger that tariff discrimination might affect Canadian exports to Austria is not great at present because most exports are

subject either to relatively low duties or duty-free. It is true, however, that it may become increasingly difficult to create interest in fully manufactured Canadian capital

or consumer goods, which even now are frequently not competitive with supplies from Austria's neighbours, often because of high transportation costs. ●

Belgium

Business is slowly picking up in Belgium; exports and imports are rising, though the trade deficit grows. Expansion of Canadian trade looks best in industrial raw materials; competition is stiff in selling finished goods.

L. H. AUSMAN, *Commercial Counsellor, Brussels.*

BELGIUM is situated in the industrial heart of Europe. Lying between France and Germany, its location is as strategic today as it was in the Middle Ages, when Bruges and Ghent sat squarely astride important medieval trade routes. It forms, with the Netherlands and Luxembourg, the Benelux Customs Union—a forerunner of the European Common Market.

With no industrial raw materials except coal but with abundant skilled labour, Belgium has based its economy on the manufacturing industries. The most important are iron and steel, machinery and equipment, textiles, glass and chemicals. Belgium exports 40 per cent of its production and imports nearly all of its raw materials and one-third of its food.

Economy Strengthens Slowly

In general, Belgium's economy is sound and this is evident in most sectors. Business and industry expanded rapidly immediately after the war, but recovery from the recent recession has been slower than that of other Common Market countries. The 1959 index of industrial production stood at 119.1 (1953=100). This was 3.6 per cent higher than in 1958, but it lagged behind the advance for the

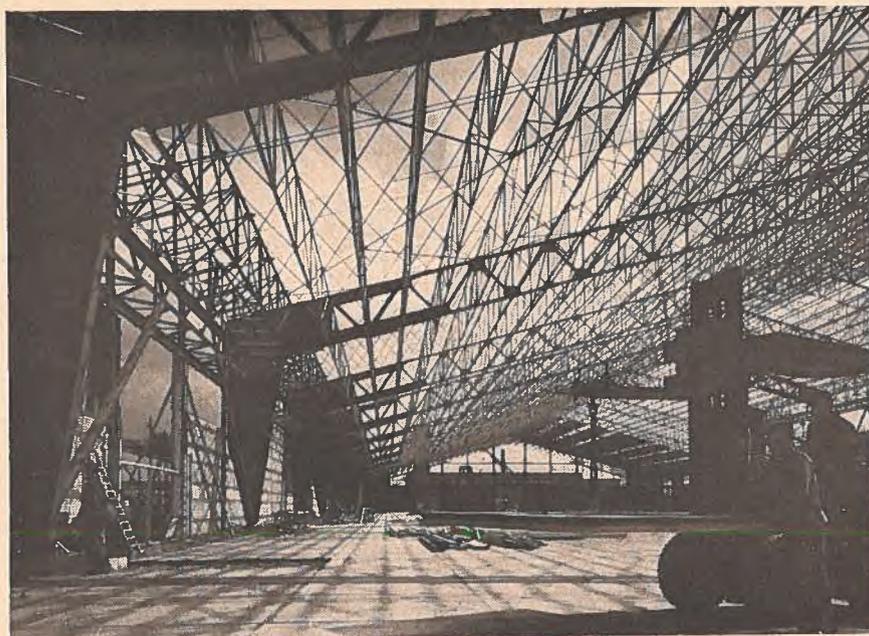
European Economic Community as a whole (6.8 per cent). Equivalent figures are: the Netherlands 11.5 per cent, Germany 8.0 per cent, and the United Kingdom 6.2 per cent.

Unemployment, though somewhat lower than last year, continues to cause concern and was aggravated by the closing of a number of unproductive coal mines. It affects about 5 per cent of the working population of 3.5 million, and 9 per cent of those insured.

The Coal Problem

Coal is the basis of the industrial structure and the industry has weakened seriously in recent years. In weighing this factor, however, it should be noted that coal production in Belgium is almost the same as that of France, which has a population five times as large. The coal crisis therefore weighs much more heavily on Belgium, and the absorption of workers who are compelled to leave the mines places a strain on each community.

Under pressure from the European Coal and Steel Community 30 pits were closed in 1958 and 1959 and plans have been drawn up for further cutbacks in production of 9.5 million tons of coal by 1963. Output, which in 1958 totalled 27 million tons, dropped to 22.8 million tons last year when pithead



The aluminum extrusions, plate and sheet used in this warehouse going up in Belgium were fabricated from Canadian aluminum metal. Last year we sold over four million dollars worth of aluminum to Belgian customers.

stocks stood at 7.5 million. It is anticipated, however, that part of the planned reduction will be offset by higher yields from more efficient mines.

To ease distress and assist in readjustment, the Belgian Government, with appropriate aid from the Coal and Steel Community, has set aside funds for occupational resettlement of miners and will subsidize certain mines not being closed. The ECSC has also authorized restriction of imports from the Community and third countries and pithead stocks have been frozen.

Other Industries

The steel industry is prosperous; production in March reached 24,250 tons a day, compared with the 1959 average of 19,914. Following a drop in the early months of this year, export prices are becoming more stable.

Activity is quickening in such diverse industries as metalworking, chemicals, glass, paper, building materials and construction, though there are indications of a possible decline in public works and other building programs. An expected revival in textiles has, however, not materialized; production has risen

over a year ago, but more slowly than at the end of 1959. Prices have dipped slightly.

Agriculture plays an important part in the economy, employing over one million workers. Three-quarters of this employment is seasonal and many of the workers are market gardeners and smallholders farming land of less than 2½ acres on a part-time basis. Less than 2 per cent of the total farm area is composed of establishments of over 50 acres. Farmers therefore lack the benefits of large-scale operation and farm incomes are precarious and relatively low. Last year's drought caused some distress which necessitated government assistance.

Trade Deficit Grows

Domestic sales are fairly satisfactory but the most powerful stimulus has come from exports. At the beginning of 1960 exports were running 27.3 per cent higher than a year before and 13.4 per cent above the average for the whole of 1959. Imports also rose some 18 per cent above the previous year.

For statistical purposes the trade of Belgium and Luxembourg is combined. Principal customers and suppliers are shown in Table I.

The reader will note that Canada supplied 1.3 per cent of Belgium's imports and took exactly the same percentage of Belgian exports. We ranked eleventh as a market for and thirteenth as a supplier to Belgium. The bulk of Belgian trade is, however, carried on with the neighbouring countries and the United States; the Netherlands and West Germany, two of Belgium's Common Market partners, account for one-third.

I BLEU TRADE IN 1959

	BLEU Exports	BLEU Imports
	(in per cent)	
Netherlands	21.2	15.8
West Germany	13.3	16.4
United States	13.2	9.4
France	9.1	12.6
United Kingdom	6.0	8.3
Switzerland	2.8	1.9
Sweden	2.8	2.7
Belgian Congo	2.7	5.7
Italy	2.6	2.3
Denmark	1.7	*
CANADA	1.3	1.3†

*Less than 1 per cent.

†Note that the following countries supplied more than Canada: Australia 1.7 per cent, Iran 1.6 per cent, and Argentina 1.4 per cent.

II BLEU TRADE WITH SELECTED COUNTRIES

	Percentage increase or decrease in 1959 over 1958	
	Exports	Imports
Total trade	8	10
Common Market partners:		
Italy	25	20
West Germany	24	15
Netherlands	11	11
France*	-7	19
United States	55	5
CANADA	25	4
United Kingdom	12	24
Scandinavia	5	-2
Japan	26	2
Soviet Union	-50	29
Belgian Congo	-24	18

*Includes the Saar in 1958; in 1959 the Saar is included with Germany.

Although exports and imports have risen in the past year, the balance of trade has become less favourable. Exports in 1959 totalled \$3,295 million, up 8 per cent over 1958; imports, at \$3,442 million, were up by 10 per cent, boosting the trade deficit from \$83 million in 1958 to \$147 million last year.

The trade balance with Canada in 1959 was also unfavourable to Belgium, though much less so than a year ago. Belgian exports to Canada climbed by 25 per cent over 1958 and her imports from us by only 4 per cent. The deficit shrank from \$34 million in 1958 to \$11 million in 1959. Table II shows the percentage change in Belgian trade with selected countries during the past two years.

On the whole, BLEU exports in 1959 to industrialized countries rose steeply, but declined to less industrialized countries such as the Belgian Congo (Table II), China (-36 per cent), India (-58 per cent) and South Africa (-34 per cent). The drop in sales to France resulted mainly from the devaluation of the French franc in December 1958, and partly also from the transfer of the Saar from the French to the German customs zone. On

the import side, devaluation stimulated the Belgian market for French products. Apart from Scandinavia, imports from all important trading partners increased over the previous year.

Trade with Canada

Canadian exports to Belgium in 1959 totalled \$56.2 million compared with \$69.7 million in 1958. Imports from Belgium for the two years totalled \$45.1 million and \$36.0 million. Canadian aircraft and parts shipped under mutual aid arrangements should be eliminated to give a clearer picture of normal commercial trade. The adjusted export figures then become \$53.3 million and \$48.9 million. This reveals

III CANADIAN EXPORTS TO BLEU IN 1959

(in millions of dollars)

Total exports	56.2
of which:	
Cereals, flour, seeds	22.5
Nickel	6.3
Asbestos	4.3
Aluminum	4.1
Aircraft engines and parts	2.9
Lead and zinc	2.5
Copper	2.5
Dairy products	1.4
Lumber, pulp and paper	1.3
Drugs and chemicals	1.2
Fish	1.1
Other	6.1

IMPORTS INTO CANADA FROM BLEU IN 1959

(in millions of dollars)

Total imports	45.1
of which:	
Iron and steel	16.8
Glass	7.0
Diamonds	5.3
Carpets	4.1
Tin	2.1
Cotton textiles	1.3
Photographic paper and films	1.0
Boilers, machines, mechanical engines, appliances and parts	0.8
Other	6.6

an increase rather than a decrease in exports over the two years and brings the balance more into line. Principal products in our 1959 trade are shown in Table III.

What does the future hold for Belgo-Canadian trade? The figures in Table III suggest that more than 80 per cent of our exports to Belgium consist of raw or semifabricated products. Cereals and oilseeds account for 40 per cent; ores, minerals and metals for 38 per cent; and lumber, pulp, paper and chemicals 5 per cent. Only about 15 per cent of Belgium's purchases from Canada represent fully manufactured products; these are spread over nearly 250 different statistical items, no one group of which accounts for more than \$1 million.

What Are the Opportunities?

Expansion in our trade will probably take place in raw and semifabricated products needed for Belgian industry. The common external tariff of the EEC, the first stage of which should come into effect on December 31 of this year, imposes some customs duties higher than the Benelux tariff (on aluminum for example) but recognizes the need of the Six for low or nil rates on essential materials for industry. Agricultural products, on the other hand, face the uncertainty of a complicated and undoubtedly protectionist policy, which the Six have not yet considered in detail. A timetable has, however, been drawn up, (see article on page 45) and this could mean substantial progress towards a common policy by the end of the year. Until then it is impossible to judge the effect on Canada's trade in agricultural products with Belgium and Luxembourg. Because of the quality of Canadian wheat and the traditional preference of the consumer, it is reasonable in the absence of other factors to assume that it will continue to find a small but steady market here.

Fully manufactured goods present a different picture. For a low-tariff country like Belgium the new EEC

external tariff will, on the whole, be higher. In addition, therefore, to suffering from increased competition from other members of the Six—for whom duties and quotas will gradually be eliminated—Canadian products will, in many instances, cost the Belgian consumer more than they do now.

A recent study compares the impact of lower tariffs for EEC goods and the generally higher external rates that harmonization will impose on Belgium. It concludes that at the consumer level, average prices should remain about the same as at present (an insignificant rise of 0.04 per cent is predicted). This does not take into account any substantial shift in imports from third countries to the EEC.

Because Belgian imports were almost fully liberalized immediately after the war, no recent measures have served to open or reopen markets for Canadian manufactured products. Indeed, as a result of the freedom from such restrictions the Belgian market has for many years been an extremely competitive one. Quality is important, but price is usually the deciding factor when new offers are being considered. Canadian exporters should not assume without investigation that the market for finished goods is closed to them, but they should recognize the importance of meeting stiff competition from all parts of the world—particularly from Belgium's Common Market partners, the United States and the United Kingdom. (In certain products, such as wood from Scandinavia and the Baltic, other countries sometimes offer special inducements such as lower prices, more favourable credit terms, prompt delivery or lower freight rates.)

Anticipating an economic expansion resulting from the move towards European integration, the Trade Commissioner's office in Brussels is planning a general market survey during the latter part of this year. Canadian manufacturers of all types of products are

invited to submit full details of the goods they are able to export, plus illustrated and descriptive literature and the lowest possible prices c.i.f.

Antwerp. Samples or additional information may be requested if buyers or distributors show preliminary interest. •

Luxembourg

L. H. AUSMAN, *Commercial Counsellor, Brussels.*

THE Grand Duchy of Luxembourg, with a population of 313,000, covers an area of about 1,000 square miles. Though it is politically independent, it is associated with Belgium in a closely knit economic union. Canadian exporters generally look on these two countries as a single unit as far as trade is concerned. With minor exceptions, this is a reasonable assumption for several reasons:

- Luxembourg, Belgium and the Netherlands constitute the Benelux Customs Union and there are no differences in their tariff structures.
- Foreign trade statistics of BLEU are combined.
- Lacking access to the sea, most of Luxembourg's trade passes through Belgian ports.
- Agents and distributors in Brussels or Antwerp serve Luxembourg either directly or through subagents. Only in special cases is it necessary for Canadian exporters to consider appointment of a Luxembourg agent.

Because separate trade statistics are not published, it is impossible to tabulate Canada's trade with the Grand Duchy, but it may be assumed that our purchases of Luxembourg steel are much bigger than our exports to that country.

Steel production is by far the most important industry in Luxembourg, and present economic activity reflects recent expansion in the industry. Although the index of

industrial production was 4.4 per cent higher in 1959 than in 1958, it was the net result of contrasting trends in different sectors. Iron and steel output rose by 7.9 per cent—more than enough to make up for the drop in production in other industries, such as mining, metalworking, non-metallic mineral products and textiles.

Agricultural production was on the whole satisfactory though milk and meat output fell off appreciably. Last year was an excellent one for wine production; the vintage was one of the best in the last 50 years.

Luxembourgers expect in 1960 a vigorous expansion of the gross national product at market prices, thanks largely to increased foreign demand (especially from the United States) for rolled steel products. Prices, which in April 1959 were lower than at any time since 1958, rose substantially by the end of the year though they were still 7 per cent below the average for 1958. Further increases are expected that should more than offset any rise in import prices. The resulting improvement in the terms of trade could augur well for improved business conditions in all sectors.

Because of the importance of the steel industry in the national economy, the European Coal and Steel Community, now eight years old, exerts a greater influence than the newer Economic Community. The wider based Common Market cannot fail, however, to have a beneficial effect on the economy of this small country. •

Denmark

Liberalization of imports in March opened market to greater number of Canadian products, should stimulate exporters to make personal sales contacts, establish agencies.

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

DANISH industry and commerce enjoyed a high level of activity during the past year. Agriculture made some gains and foreign trade expanded, though in recent months imports have risen more rapidly than exports. Foreign exchange reserves, which had been building up over the past two years, began to fall in the last quarter of 1959 and have been declining since then.

Actually, the terms of trade have not turned against Denmark. Receipts from the sale of agricultural and industrial products have been good. Rather, modernization and extension of plant and equipment have stimulated the demand for imported raw materials. Moreover, sales of lower-grade livestock feeds have been unusually large as a result of the relatively dry summer last year. Construction reached a peak in 1959 and there has been virtually full employment. The registration of new vehicles continues to rise and sales of farm machinery have been good. The fishing industry enjoyed another record year.

Denmark and EFTA

The high level of business activity has helped Danish industry to accept the commitments implicit in participation in EFTA. The Danish Parliament ratified the Convention in February, when the Government declared that it did not regard EFTA as an ultimate solution of Denmark's trade problems, but that it would continue to work through EFTA toward an association with the members of the EEC.

Because the terms of the Convention do not cover directly the trade

in agricultural products, of vital concern to Denmark, the Government concluded bilateral agreements with the United Kingdom, Sweden and Switzerland before the Convention was ratified. These agreements were reported in the January 2, 1960, issue of *Foreign Trade*.

Upon ratification of the Convention, the Government adopted as of March 1 two measures of particular interest to Canadian exporters. The first was an extensive import liberalization and the second a revision of the Danish Customs Tariff Act.

Import Liberalization

The liberalization marked the end of import restrictions on an extensive list of items of interest to Canadian exporters, including:

Fish and shellfish for canning; tinned peaches and apricots; linseed oil; tinned fish products; tinned soup; beer and mineral waters; leaf tobacco; superphosphate; paints and lacquers; perfumes, soap and cosmetics; candles; sensitive paper and film; plastic material and plastic goods; leather and leather goods (other than footwear); veneers; laminated wood and finished wood products; paper and paper products, printed matter; textiles; porcelain, earthenware and glassware; iron and metal goods; machines and apparatus; radio and TV materials; vehicles; aircraft; instruments and apparatus; musical instruments; furniture; toys; sports goods; fountain pens, pencils, and other office supplies.

For the products that remain subject to import licence restrictions, quotas formerly established separately for the dollar area and the OEEC countries have been combined into one, so that there is no longer any discrimination against the dollar area as such. About 95

per cent of Denmark's trade is now liberalized and complete liberalization is promised by the end of 1969 at the latest.

Tariff Changes

Denmark is traditionally a low-tariff country, although it has protected industrial production by quantitative import restrictions; these covered as much as 64 per cent of industrial output at the end of 1959. With the import liberalization that became effective on March 1, only some 13 per cent continues to enjoy protection through quantitative import controls. This adjustment was offset to some extent by upward revisions in tariff rates. The new Customs Tariff is grouped according to the Brussels Nomenclature. The upward revision of tariff rates anticipated the provisions of Article 3 of the Convention, requiring the progressive reduction of rates commencing with a 20 per cent reduction on July 1, 1960, and continuing by annual 10 per cent reductions until all duties on imports from EFTA member countries are eliminated by January 1, 1970. Generally, tariff rates have been increased on a number of finished products that are manufactured domestically and the import of which has been liberalized, but tariff rates on some raw materials and semi-manufactures have been reduced.

Of interest to Canadian exporters is the fact that milk powder for feeding purposes remains free of import duty, as do fisheries products. Raw or unmanufactured tobacco and tobacco waste, which previously paid a duty amounting to 2.30 D.Kr. per kilo (or approximately 14 cents per pound), now are free of import duty. Raw hides and skins continue to be free of import duty, as do raw furs; the tariff rates for footwear have been raised from 7.5-15 per cent ad valorem to 15-25 per cent ad valorem. Typewriters, bookkeeping and accounting machines, which previously paid a 5 per cent duty, now

pay none. These are only a few examples chosen from the hundreds of tariff items affected. The revised Customs Tariff Act also included for the first time an anti-dumping provision.

Canadian Exports to Denmark

The United Kingdom continues to be Denmark's largest supplier and customer, followed by West Germany, Sweden and the United States. Although Canada's trade with Denmark is not on the same scale, our sales to the Danes have increased steadily—from \$3.5 million in 1957 to \$5 million in 1958 and to \$5.6 million in 1959. Figuring most prominently in the increases last year were asbestos milled fibres, but medicinal preparations, drugs and chemicals, asbestos waste, lead in pigs and refined lead, commercial fishing nets and twine also showed satisfactory gains. Canadian exports to Denmark during the first quarter of this year are continuing the upward trend with an increase of approximately \$800,000 to \$1.5 million, compared with exports during the corresponding quarter of last year. More skimmed milk powder, grains, untreated caoutchouc, pharmaceutical preparations, textiles (other than wearing apparel), and machinery were exported to this country than during the same period last year.

Table I divides Canadian exports to Denmark into those which increased in 1959 and those which declined.

There is ample room for the expansion of Canadian exports to Denmark that are competitive with United States products. This is illustrated in Table II (compiled from Danish trade statistics) that compares Danish imports from Canada with those from the United States.

As a result of the recent trade liberalization, many Canadian firms in recent months have been successful in establishing agency arrangements for the sale of their products in Denmark. The prices of some Canadian products are higher than

TABLE I

PRINCIPAL CANADIAN EXPORTS TO DENMARK

Increase in 1959	1958	1959
	(in Can. dollars)	
Maple sugar	12,196	39,596
Whisky	55,184	55,535
Flaxseed		148,274
Seeds, n.o.p.	2,745	26,160
Commercial fishing nets and twine	281,451	348,124
Douglas fir planks and boards	10,864	36,860
Hemlock planks and boards		11,940
Aircraft engines and parts		205,124
Adding machines and parts		26,554
Bookkeeping and calculating machines and parts	144,653	179,298
Motor vehicles and parts, n.o.p.	1,825	34,625
Lead in pigs and refined lead		169,781
Zinc spelter	71,650	84,176
Sparkplugs	37,010	42,184
Asbestos milled fibre	531,345	1,028,616
Asbestos waste, refuse, shorts	40,740	124,040
Medicinal preparations	2,710	114,715
Drugs and chemicals, n.o.p.	466,844	500,478
Scientific apparatus, n.o.p.	6,156	28,292
Gun and rifle cartridges	20,487	25,000
Decrease in 1959	1958	1959
Rye	50,843	
Wheat	571,418	342,613
Flue-cured bright tobacco	149,755	6,297
Skimmed milk powder	1,451,267	1,377,455
Gas engines and parts	167,713	
Passenger automobiles	158,935	137,061
Guns, rifles and other firearms		17,256
Copper bars and ingots	111,904	
Radio wireless apparatus	75,959	49,868
Acids, n.o.p.	66,629	37,066
Synthetic resins	20,572	4,976
Polystyrene	13,065	9,055

those prevailing in the Danish market and vigorous competition must be expected from firms in the United

TABLE II

SELECTED DANISH IMPORTS FROM CANADA AND UNITED STATES

Commodity	From Canada	From U.S.
	1959	1959
	(in million D.Kr.)	
Grain and grain products	6.7	350.7
Fruits and vegetables		28.6
Feedstuffs		28.3
Tobacco	0.7	84.5
Untreated caoutchouc	2.2	7.6
Raw minerals	9.3	5.6
Oilseeds and nuts	0.5	110.8
Spinning materials		12.7
Fuel		59.0
Chemical raw materials and compounds	1.0	23.8
Pharmaceutical preparations	1.1	13.9
Other chemical products	0.9	36.6
Paper and cardboard		8.5
Textiles (other than wearing apparel)	2.4	10.4
Base metals	2.1	3.9
Non-electrical machinery	4.3	86.3
Electrical machinery	0.7	27.9
Wearing apparel		3.7
Instruments, etc.	0.1	11.7
Total Danish imports from Canada in 1959—48.1 million D.Kr.		
Total Danish imports from United States in 1959—1,018.3 million D.Kr.		

Kingdom, West Germany and Sweden, which have an advantage in personal contacts and lower transportation costs. Nevertheless Canadian firms are on an equal footing with United States competitors in the market.

The Commercial Division of the Canadian Embassy, Copenhagen, can help exporters to assess the market potential for Canadian products and locate suitable agents. Many Canadian exporters are finding it worthwhile to include Denmark in their European itineraries. Firsthand contacts stand a good chance of being productive and the Commercial Division can suggest contacts and make appointments, especially when business visitors send word of their arrival in advance. ●

Finland

Recovery from 1958 recession proceeded rapidly last year; Finnish industry is expanding, with aid of foreign loans and credits. Canadian sales gained, though competition increasing.

A. P. BISSONNET, *Commercial Counsellor, Stockholm.*

FINLAND recovered from the 1958 recession somewhat less rapidly than the other European countries. None the less 1959 ended successfully and conditions so far in 1960 are most satisfactory. In fact, the Finns are enjoying a prosperity unknown since prewar years. Industrial production is up by 7 per cent over last year, imports by roughly 14 per cent, and exports by 8 per cent. Unemployment is lower than at any time since 1958 and so far the cost of living

and prices generally remain steady despite internal pressures. This favourable trend should continue, provided that Finland is able to benefit from association with the European Free Trade Association.

One of the most encouraging indications of Finland's present economic position from the Canadian exporter's point of view is the state of the currency reserves. The country's holdings of gold and foreign currencies (which account for about 80 per cent of her currency reserves) increased during 1959 by 28 per cent and at present equal roughly 3½ months of normal imports. There is no reason why this position should not be maintained if conditions continue to be satisfactory.

Finland made various arrangements for foreign loans or credits for industrial development in 1959 with the World Bank, Hambros Bank, the Export-Import Bank and West Germany. Moreover, an agreement in principle between Finland and Russia was signed, under which Russia will provide a standby credit for plant and machinery; loans under this credit will be granted for up to 12 years at 2½ per cent. No specific projects have yet been agreed upon.

One of the most serious problems that Finland has faced during the past year is unemployment, which reached an all-time peak early in

1959. But as conditions improved during the year so did the employment problem, and by the end of the year unemployment was nearly 3 per cent below the figure for the same time in 1958.

Industrial Production

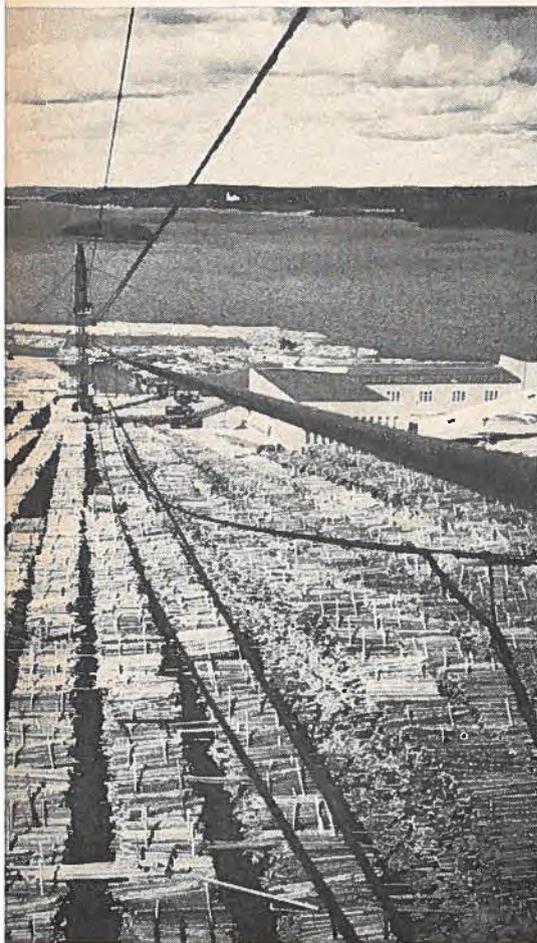
The manufacturing industry has reflected the improved situation to a greater degree than any other economic sector. At the end of 1959 production of non-consumer goods had increased 20 per cent for the year but consumer goods only 8 per cent. However, in January output of non-consumer goods was 11 per cent and of consumer goods 14 per cent above the 1959 figure for the same month. Rising production in the wood and paper industries (in January output of the wood industry had risen 26 per cent and that of the paper industry 27 per cent over one year) improved export prospects.

Woodworking and Paper—Prices of pulp and paper and of sawn wood and softwood decreased during the first half of 1959 but then improved and are still going up. Softwood exports totalled over 950,000 standards in 1959, a new postwar record, and exports of chemical pulp over 1.3 million metric tons, also a postwar record. Paper exports are running at a high level.

Plans announced by the Central Association of Woodworking Industries recently call for an increase of 40 per cent in the capacity of the cellulose industry during the next three years, as follows:

	Present capacity	Capacity 1962-63
	(1,000 metric tons)	
Mechanical pulp	1,200	1,550
Sulphite cellulose	1,300	1,570
Sulphate cellulose	1,200	1,930
Semi-chemical cellulose	20	120
Total	3,720	5,170

The increase in the capacity of the paper and board industries is estimated as follows:



Pulpwood neatly stacked and piled at the Kaukopää paper mill. Pulp and paper output is rising this year and the Finnish industry is expanding and modernizing.

	Present Capacity capacity 1962-63	
	(1,000 metric tons)	
Newsprint	860	1,240
Other paper	620	740
Cardboard	500	820
Total	1,980	2,800

This expansion and modernization program is made possible primarily by a \$37 million loan from the World Bank obtained in March 1959. However, certain other small industrial credits have come from other sources, notably Britain, West Germany and the United States. A report of the Industrial Consulting Committee estimates that the annual investment needed by the Finnish industry for the next few years is \$35 million, a sum that substantially exceeds its own financing ability. Thus Finland, which has always been a capital-importing country, obviously will remain so for some time to come. Because the private international capital market finds the interest rates there less attractive than in many other countries, international bodies and corporations have been her most im-

portant sources of capital for the past 15 years.

Lumber—Latest reports indicate that the total cut during the 1959/1960 season is running about 25 per cent higher than a year ago. If the cutting of firewood is eliminated, the average increase over the previous season is over 50 per cent.

Exports of plywood are up 26 per cent compared with a year ago and prices for pitprops and pulpwood are said to be rising. Orders for sawn lumber to be shipped in 1960 are said to total about 850,000 standards. Furniture exports were up by 24 per cent in 1959.

Engineering—Generally speaking, the past year was satisfactory for the Finnish engineering industries, with production larger than a year ago. Output of turbines and other heavy equipment increased.

Shipbuilding—The Finnish shipyards did well in 1959 and from all appearances continue to make satisfactory progress. According to some recent press reports, the Swedish American Line has ordered four

motor freighters of 7,000 dead-weight tons from the Wärtsilä Company for delivery in 1962 and early 1963. The same firm delivered a new icebreaker in February, the eleventh it has built since the war.

Agricultural Outlook

Like the other Scandinavian countries, Finland had a dry summer last year and the harvest was average in quantity and quality. Finland is not self-sufficient in wheat and under the terms of her trade agreement with Russia bought from that country the main part of the necessary imports from abroad of approximately 125,000 tons. Small quantities of Canadian wheat were purchased for mixing purposes to improve the quality of Finnish flour and this business is likely to continue in 1960. About \$87,000 worth of Finnish cheese went to Canada last year.

Foreign Trade

The United Kingdom remained Finland's leading 1959 trading partner, providing the largest market, but falling to third place, behind West Germany and Soviet Russia, as a supplier. After the big three come the United States, the Netherlands and France, in that order.

Of particular interest in Finland's foreign trade is its direction. Its trade with Soviet Russia is governed by a trade agreement. The latest agreement, covering 1960, was signed in late December 1959 and follows much the same pattern as the previous four to five-year agreement from 1956 to 1960. The pattern of trade with Soviet Russia for the year 1961 to 1965 was stipulated in a Finnish-Russian five-year trade agreement signed in Helsinki last October.

The countries of the Helsinki Club—that is, most West European countries except France—provided 59 per cent of Finland's total imports in 1959. The Helsinki Club is a multilateral trade agreement between Finland and the countries mentioned and about 82 per cent

FINLAND'S IMPORTS IN 1958

	West Germany	United Kingdom	United States
	(in millions of Fmks.)		
Total imports	38,513	31,058	13,139
Of which:			
Machinery and apparatus (non-electrical)	8,540	3,911	3,161
Iron and steel	6,232	4,521	339
Means of transport, except air- craft and water craft	5,005	6,742	1,719
Machinery and apparatus (electrical)	4,404	1,305	696
Chemicals and pharmaceuticals	2,692	1,985	754
Cotton	1,029	1,063	1,434
Fertilizers	982	10	
Precision instruments	860	219	138
Rubber and manufactures of same	763	690	151
Colours, paints, varnishes, etc.	758	499	69
Wool and other animal fibres	409	2,974	8
Mineral fuels	721	1,369	623
Cereals		99	1,201
Edible fruits	22	4	752
Tobacco		1	687

of Finnish imports from these countries are now liberalized. In the new agreement for the Helsinki Club in 1960, France accedes to the Club and imports from the United States and Canada are treated in the same way as those from Helsinki Club countries.

The accompanying table indicates the pattern of imports into Finland from certain countries in 1958.

At present United States exports to Finland are up 8½ per cent over this time last year, and Finnish exports to the U.S. are up 30 per cent.

Finland and EFTA

Approximately 24 per cent of Finland's exports go to the United Kingdom, 16 per cent to Russia, and 10 per cent to West Germany. Of imports, 16 per cent come from the U.K., 16 per cent from Russia and 17.6 per cent from West Germany. Judging by recent figures Russia's share of Finnish exports seems to be declining and that of Britain increasing. None the less, the Soviet Union's percentage of the Finnish market has improved, as has West Germany's; that of the U.K. has been declining.

The problem for the Finnish Government in the months ahead is its relationship with the proposed Free Trade Association of which Britain, Finland's biggest single export market, and her three Scandinavian neighbours are members. Hesitating on the one hand to offend Russia by joining the European Free Trade Association, on the other hand Finland fears the eventual loss of markets if she fails to associate herself in some way with the Seven. If Finland stays outside EFTA, she will have great difficulty, for instance, in meeting the challenge from Swedish forest products in the U.K. market. At the same time, joining the Association will mean, as it does for the other members, increased competition in home markets. The outcome is uncertain but a Finland outside the two major trading blocs in Western Europe could be a Finland moving closer to the Soviet economic sphere.

Canada's exports to Finland in the twelve months ended December 1959 totalled \$2.8 million, against \$2.3 million a year earlier. Finland's sales to Canada were valued at \$947,000—some \$383,000 over the same period in 1958. In addition to wheat, Canadian products that have been making gains in the Finnish market include steel, gas engines, power chain saws, sparkplugs, medicinal preparations, fresh apples and forage crop seeds. Finnish exports of granite and plywood to Canada have expanded.

Opportunities for Canadian exports to Finland probably lie more in increasing sales of present ex-

ports than in boosting the number of commodities exported. With production rising in Finland during the next few years, the raw and semi-processed materials that Canada sells to her should find a larger market. On the other hand, the rising standard of living could mean sales prospects for consumer goods that cannot be ignored. These, however, can only be exploited by personal visits and study of opportunities at firsthand. It must be remembered, however, that Finland is becoming an increasingly competitive market, especially with Germany and the United Kingdom in relatively close proximity. ●

France

With forecasts of increases in production, consumption, investment and foreign trade, the French look to the future with optimism. Recent trade liberalization measures should help Canadians to capitalize on the boom.

WILLIAM BRETT, *Acting Commercial Secretary, Paris.*

BUSINESS in France has never been better—this is the opinion of the French expert and the man-in-the-street alike. In support of this view, they can quote the following significant statistics. The French gross national product in 1959 rose 8 per cent over 1958, industrial production climbed by 15 per cent, bank deposits by \$1.5 billion, the department store sales index by 43 points, automobile production by 17.4 per cent, and pig iron output to 1,148 metric tons in February 1960 compared with the 1958 monthly average of only 997 tons.

There have also been significant if less striking advances in vessel clearances, building permits and energy consumption. Business in some sectors faltered slightly during February and March of this year, (the industrial production index

dropped two points) but this is widely held to be wholesome consolidation. Generally speaking, prices have been reliable.

There are some soft spots, however, mainly in agriculture, where troubles have given rise to a good deal of overt protest in recent months. A basic problem is the relative disparity between agricultural and industrial income. One reason for the agrarian protest is the Government's reluctance to at-tune farm income automatically to increases in production costs. The Government looks instead to longer-range adjustments in productivity through modernization and land reform.*

*See the article "France Reconsiders Agricultural Policy" in the May 21, 1960, issue of *Foreign Trade*.

Another area of continuing concern is the tendency to regional depression in regions such as the southwest and Brittany. Steps are being taken to remedy this through allocation of cheap energy, (e.g., natural gas from the Lacq area destined for Bordeaux) and diversification of public works (a new atomic reactor complex for Brittany and research centres in the Massif Central).

Recently there has been a growing tendency to labour unrest, particularly in the transportation field. In addition, government employees, who feel that they have not participated to the full in the new prosperity, are calling for work stoppages. It is difficult to assess how far this tendency may spread and in what directions.

It would be unwise to minimize the importance of these problems but they are not so oppressive as to dim the general optimism. At any rate, the authorities have forecast the following increases for 1960:

**Increases in
1960 over 1959
(per cent)**

Total production	6
Industrial production	5
Consumer consumption	4.5
Real wages	3
Investment	6
Imports	5
Exports	5

French Exports Rise

In 1958, French commodity trade showed a negative balance of about \$410 million and in preceding years the deficit was even bigger. But 1959 produced a positive balance of about \$520 million, with total trade up by \$1,560 million to \$10.6 billion. There were advances in a fairly broad range of products; automobiles, with an increase of nearly 100 per cent, made exceptional gains. New markets were also developed. Reflecting this export surge, French gold and exchange reserves rose from \$763.6

million in December 1958 to \$1,658 million in December 1959.

Canadians Share Increases

In 1959, Canada for the first time in many years imported more from France (\$58.2 million) than she exported (\$43.56 million).

The most important development in Canada's trade with France is the recent series of import liberalizations that permits the import of a wide range of Canadian goods, many of which have been denied entry during the entire experience of many Canadian export managers. In a sense, France is an old customer but a new market. The familiar trading pattern has been one of fairly steady sales of 250 to 275 products at the \$40-50 million level, with 80 to 90 per cent split up among a few bread-and-butter items such as wheat, oilseeds, asbestos, copper, pulp, aluminum and synthetic resins. In the first months of 1960, however, a new pattern began to emerge. Statistics for 1960 are meagre at present but because our trade with France is only mildly seasonal, they should have a certain validity for the future.

In the first place, we sold almost three times as much in the first quarter of 1960 (\$19.85 million) as we did in the first quarter of 1959 (\$7.59 million); monthly averages show \$6.6 million in 1960 compared with \$2.5 million in 1959. It is significant that, aside from exceptional shipments of durum wheat, sales of our traditionally "heavy" items have remained much the same and in some instances have declined. We can thus probably expect a desirable spread in our future trade with this new and expanding market.

The gains in our sales to France are mainly among those goods hitherto shackled by quotas, but several products hold exceptional promise. Among these are lumber, fish (especially salmon), lobster, apples, whisky, furs, textiles, drugs and chemicals, nickel, sporting goods, and various manufactured

goods including bookkeeping machines and saws.

Canadian exporters who have got out of touch with the French market are urged to determine whether their products are on the new list of importable goods. Those who are relying on long-standing agency relationships should assure themselves that their arrangements are, in the light of new conditions here, as useful as they once were. They should remember too that with a few exceptions these goods can find new outlets in Algeria, because liberalization measures are generally valid for that area also.

Effect of Common Market

The upsurge in the French economy is related largely to its position in the Common Market, which has meant a virtual end to the coddling of French industry. This, to the surprise and gratification of many industrialists, has proved to be just what was needed, and France has shown itself competitive with the other leading industrial nations of Europe. Today French business leaders are, in fact, often considered the most fervid proponents of the Community.

Another benefit of the Common Market has been the stream of investment (in which France has shared) that is entering Europe from abroad, as foreign producers set up shop within the framework of the common tariff.

OEEC and Canadian Trade

The future of Canada's trade with France as a member of the Six is difficult to assess, but it will depend largely on the following:

- The extent to which the rate of absorption of imports will be increased by mounting activity within the Community and the effect of the level of the common tariff.
- The prospect of Common Market partners supplanting Canadian sources of supply.

● The form the Common Market may finally take through association or accommodation with other regional groups or international associations.

● The attitude, outgoing or introspective, that the Six take toward world trade.

France as a member of the Common Market has a special concern: the dovetailing of Algeria and the French Community in Africa with

an integrated Europe. This problem is of some urgency because of the rapid changes in the political climate of Africa and because of the need to market the outflow of French petroleum from the Algerian Sahara. It is France's hope that Saharan oil will supply a good proportion of the energy needs of the highly industrialized Six.

Much more could be said about the state of French business today. We could lengthen the lists of en-

couraging statistics and, with this information alone, speculate hopefully on the future. But an assessment must also take into account the currents of optimism and resolution that are coursing through France. These are not only the result of a resurgent economic life but are also the determinants of the future. If their promise is fulfilled, France and its trading partners have much to look forward to. ●

Greece

New five-year plan stresses building up of industry, but is restricting opportunities for foreign suppliers. Some Canadian products sell well, but total trade with Greece continues small.

LORNE D. R. DYKE, *Assistant Commercial Secretary, Athens.*

GREECE has made remarkable postwar progress, considering the ravages of the occupation and a bitter civil war, plus the poverty of the country. The gross national product has risen steadily since 1948 but, at less than \$3 billion, looks rather small against Canada's \$34.5 billion. However, this represents an increase over 1958 and 1958 was up 5.2 per cent over 1957. Preliminary estimates of national income for 1959 indicate that the rate of increase doubled that of 1958, with average annual per capita income reaching approximately \$290.

Economic progress in Greece slowed down somewhat in 1959 and certain export problems developed. Imports dropped to \$465.3 million (\$534.0 million in 1958) and exports to \$212.5 million (\$243.1 million in 1958). Earnings from invisibles, including emigrant remittances, tourist spending, and donations, rose to \$205.0 million (\$188.7 million in 1958). The net \$47.8 million deficit on goods and services for 1959 was covered by United States aid and foreign in-

vestments and credits. At the end of 1959, gold and foreign exchange holdings had risen by \$52.3 million to \$204.6 million. Some 10 per cent of the world's shipping tonnage is controlled by Greek interests and this increases invisible earnings. Because of growing opposition to flags of convenience, Greek-owned ships are now returning to Greek registry: 875 ships of 3.8 million tons are now registered under the Greek flag.

Because of difficulties encountered in the export of certain staple products such as tobacco and raisins, sales of these have been tied in with bilateral trade agreements. Moreover, for certain commodities arriving from countries that do not have such agreements with Greece, quotas have been introduced. But these may be imported without quota from the Communist countries, Finland, Israel, Chile, Egypt, Uruguay, and Yugoslavia, which base their trade with Greece on bilateral agreements. In addition to these restrictive measures, the Greek authorities have sought to export agricultural products by barter

deals against the import of major industrial installations.

Confidence in the currency has grown over the past several years and the former strong emphasis on gold holdings has weakened. There is still a great deal of interest in liquid assets and real estate, and in addition, considerable Greek wealth is held outside the country. Evidence of currency stability and bank strength is the steady reduction in interest rates. The cost of borrowing money continues to be high and this is probably the basic consideration in doing business in this country. The Greek businessman understandably wants the best price on the longest possible terms. Short-term money costs him 10 per cent, plus 2 per cent charges, and may (less officially) cost him as much as 18 per cent. Despite the vagaries of the money market, inflation has been held in check fairly well by control of prices on basic commodities and a tight rein on money in circulation—Drs.8,772.2 million at year-end 1959 compared with Drs. 7,619.1 million at year-end 1958.

Industrialization Pushed

During 1959 Premier Karamanlis brought out a revised five-year investment program (1960-1964) which stresses industrialization. It also aims at improving the standard of living and raising annual average per capita income from the present



A Greek peasant, aided by his wife, starts the task of picking olives by hand—the traditional way. Methods of extracting the oil are gradually being improved.

\$292 to \$380. A total of \$3.6 billion will be required to carry forward planned expansion in agriculture, industry, power development and the tourist trade. Already agreements have been signed for a 74,000-ton nitrate fertilizer plant, a rubber tire plant, an asbestos-cement products plant, a match factory, and two sugar plants.

Another important economic feature of 1959 was the formation of OVA—Industrial Development Corporation—to initiate and expedite the construction of basic industrial projects. German technical assistance funds are being used to obtain reports by German consulting engineering firms on projects

envisaged under the five-year plan. These include a soda factory, a superphosphate fertilizer factory, the manufacture of wood pulp, and the development of iron-manganese and lignite deposits. The production of aluminum is also included.

To expedite and facilitate implementation of the plan, the Greek Government has made several unprecedented moves, in addition to fostering the formation of OVA. Plant and machinery may be imported duty-free, and tax concessions on reinvested earnings have been instituted for the first time. Interest rates on loans for the purchase of needed machinery and raw materials have been reduced con-

siderably, and new medium and long-term loans made at more attractive rates.

Aside from the difficulties already mentioned, probably the greatest handicap is psychological. Greek businessmen have traditionally been individual entrepreneurs; the corporate form of enterprise has never really caught on in Greece. As a result, the commercial banks and the state, rather than the private sector, will hold what many regard as a disproportionate share in the planned industries. It is said that the State will provide one-third of the required funds, United States, German and other foreign aid one-third, and the remainder will come from private industry and business (including banks).

Restrictive Measures

Canadian exporters may well ask what all this means in terms of sales possibilities for Canadian goods. It means several things, which can best be explained by describing auxiliary measures which will foster Greek industrial development but at the same time restrict sales possibilities for foreign suppliers.

1. *Restriction on imports and protection of local production.* With the aim of strengthening Greece's financial position, the Government in August 1958 reclassified the import commodity lists to restrict credit financing of imports. Import quotas on certain commodities from free exchange areas were introduced in 1959. These include Canadian lumber, newsprint, wood pulp, tires and tubes, electrical appliances and equipment, and steel products.

2. *Barter transactions to the detriment of commercial sales possibilities.* Facing a serious problem of disposal of surplus agricultural commodities—notably tobacco and sultanas—the Greek authorities have emphasized barter trade in recent months. Much of this trade is carried on with the Communist countries. In a recent speech the

CANADA'S TRADE WITH GREECE

	1955	1956	1957	1958	1959
Exports to Greece	\$4,297,956	\$2,522,952	\$4,121,423	\$4,656,898	\$3,978,149
Per cent of Greek imports	1.22%	0.55%	0.78%	0.82%	0.70%
Imports from Greece	\$ 279,796	\$ 274,257	\$ 456,383	\$ 380,409	\$ 362,631
Per cent of Greek exports	1.52%	1.50%	2.07%	1.64%	0.17%

Minister of Commerce reported that the proportion of Greece's total trade now going to the Soviet Bloc is 18.8 per cent (16.2 per cent one year ago). A wide range of capital equipment—from a thermoelectric plant to a sugar refinery to bus chassis and refrigerated railway cars—has been imported against payment in agricultural products. Unfortunately, these agricultural products cannot be easily sold in Canada and other western countries because of our different tastes and preferences and also because they are not well enough merchandised for our quality-conscious market.

3. *Revised customs tariff further limits sales possibilities.* From April 27 of this year, higher duties were placed on a wide range of goods by shifting them from specific to ad valorem rates. These new duties have yet to be negotiated with GATT. In any event, this appears to be another measure to promote development of home industries, which already enjoy a 35 per cent preference in all state-purchase tenders.

In the light of these measures, it is difficult to assess what success Greece will have in her negotiations over membership in the European Economic Community. In addition to seeking special marketing concessions for agricultural commodities, it is reported that she will also ask for permission to delay tariff reductions.

Trade Possibilities Limited

Canadian-Greek trade has shown little improvement over the past several years and under present conditions possibilities for growth seem limited. It would be wrong to be pessimistic, however. As

Greece pushes industrialization and raises her standard of living, she will need many products that Canada can supply. Much will depend on the attitude of Canadian exporters who tend to consider this small market (eight million people in an area roughly equivalent to that of Nova Scotia, New Brunswick and Prince Edward Island) as rather far-off and too fiercely competitive. Canada's share of the Greek market has been nearly halved since 1955, with a five-year annual export average of less than \$4 million. At the same time Canada has taken an ever-decreasing share (except in 1957) of Greece's exports. Average annual Canadian imports from Greece over the past five years have, at just over \$350,000, been less than one-tenth our sales to Greece. The accompanying table gives the five-year breakdown.

In total, this is not a bright picture, but there are several encouraging features. Canada's sales of aluminum ingot, seed potatoes, tallow, wood pulp, and tires and tubes have held up well and may expand. Other products that stand a chance in this market include oil-burners, canned meats and salmon, asbestos, copper tubing, bolts and nuts, electric washing machines and diamond drills.

On the Greek side, more serious efforts will have to be made to gain entry into Canada for famous products of the Greek soil—olives and olive oil, grapes and wine, and specialty foods. A field with much promise is handicrafts, including ceramics, textiles (wool and cotton apparel) and metalwork. The hope is that in the near future Greece will modernize her merchandising machinery so that her citrus products and sultanas and currants will find buyers in Canada. ●

Views on Tariffs Sought

THE GATT Tariff Conference opens in Geneva, Switzerland, on September 1, 1960. The Honourable Gordon Churchill, Minister of Trade and Commerce, announced last October the Canadian Government's decision to participate, and detailed preparations for these tariff negotiations are now under way.

Since then, Canada has indicated its intention to negotiate with the United States. In addition, the six members of the European Economic Community will participate in the conference and there also will be an opportunity for Canada to negotiate with other countries. Among these will be the following ones which will be participating in GATT negotiations for the first time: Israel, Portugal, Spain, Tunisia and Cambodia. (Concessions in the Tunisian and Cambodian tariffs have been negotiated under the GATT by France.) Because Canada has not previously negotiated tariff concessions in the GATT with the Governments of the acceding countries named above, there may be particular scope for a mutually advantageous exchange of tariff concessions with them.

Canadian businessmen are again invited to indicate their interests regarding reductions in any present rates of duty in other countries. Their attention is drawn particularly to those countries now acceding to the GATT. Any representations from business should reach the Director of the International Trade Relations Branch, Department of Trade and Commerce, Ottawa, before the end of July.

Representations on possible tariff concessions by Canada on products imported from the countries acceding to the GATT should be addressed to the Director, Tariff Section, Department of Finance, Ottawa, and should reach him not later than July 31.

Details of the Common Tariff for the European Economic Community are now available and information on specific items required in the preparation of statements on trade interests may be obtained from the International Trade Relations Branch.

Ireland

Exports fell slightly last year, but imports rose as industrial drive continued. Special import levies were removed or reduced; this may help our exporters to improve their £5.6 million share of Irish market.

W. R. VAN, *Commercial Secretary, Dublin.*

THERE is a striking similarity between Ireland and Canada in certain fields. Both countries have as neighbours highly developed industrial nations. Both tend to be affected in varying degrees by the economic stability of their neighbours, and especially since their neighbours are their chief trading partners.

The Irish economy continues to be based on agriculture but efforts to industrialize are progressing. These are handicapped by the small population (approximately 2.8 million) and the low per capita income. This has pointed up the need for a strenuous export program.

National income, according to provisional information, increased in current terms by about 5 per cent in 1959, or from £480 million to £503 million. Industrial income rose by 10 per cent or £13 million over 1958, a major advance. Agricultural income increased and other sectors made moderate progress.

External assets of both the Government and commercial banks showed an increase of £4.3 million despite a balance-of-payments deficit, fortunately financed by private capital inflow. Total savings increased from £50 million in 1958 to £63 million in 1959. Personal expenditure advanced by about 2½ per cent. Tourist spending totalled £37 million, up £3.2 million over the previous year.

Over-all export values, at £130.7 million, although continuing to be high, were down slightly in comparison with 1958. Import values, on the other hand, rose from £67.7 million in 1958 to £81.8 million in 1959. The import excess was cushioned

by more favourable terms of trade; import prices on the average were down 1 per cent and export prices up about 3 per cent.

Industry and Agriculture

The intensive drive to industrialize as a counter-weight to over-dependence on agriculture is rapidly gaining ground. The primary impetus is a sharp increase in export demand for industrial products. The results for 1959 exceeded all expectations. During the year the volume of industrial output went up sharply: the index (base 1958 = 100) for all industries and services rose from 98.7 in 1958 to 106.9 during the current year. (The previous record high was in 1955.) Record output during 1959 was achieved in manufacturing, mining, quarrying, and turf production.

The gross agricultural output in current terms, excluding stock changes, (provisional figures) fell by £5 million to £174.4 million. Crop and turf production rose by £7 million following the disastrous harvest of the previous year. Livestock and products fell by £12 million—primarily because exports of cattle declined, milk yields were reduced because of drought, and output of sheep, pigs, eggs and poultry declined slightly. Drought during the summer of 1959 also affected the United Kingdom, the Republic's chief export outlet for "store" (feeder) cattle. Growing resistance by British farmers to and British agricultural restrictions on "once-tested" (against bovine TB) cattle also curtailed shipments.

With a fall-off of livestock exports, stocks on hand rose and the value increased to £11 million as against £3.2 million in 1958. The net value of agricultural output, (including the value of changes in livestock numbers), thus expanded by £4 million or 2½ per cent.

Wheat, despite a one-third reduction in acreage, improved in both volume and quality; 281 thousand acres were sown and yielded 340,000 long tons. Yield of both oats and barley increased. Thirty to forty thousand tons of barley (feed and malting) were exported to the United Kingdom and the Continent.

Foreign Trade

Exports at £130.7 million (f.o.b.) declined slightly from the previous year. Three developments characterized the year's export trade.

- Live cattle permanently exported fell by £8.5 million to £30 million.

- Despite an increase of £3.2 million in the export of beef and veal (fresh, chilled or frozen) exports of foodstuffs of animal origin dropped because of reduced shipments of butter, bacon and hams.

- Exports of "other raw materials and manufactured goods" rose substantially, from £25.1 million in 1958 to £34.6 million last year. Exports of petroleum products; textiles, (including raw wool); machinery, both electrical (mainly sewing machines) and non-electrical; ores and concentrates; hides, skins and leather; vehicles; clothing (manufactured), and footwear increased.

Imports rose substantially, accentuating a growing import balance, though this was considerably reduced by the improved terms of trade. Imports have increased steadily over the past four years, from £182.8 million in 1956 to £212.5 million last year.

The poor harvest of the previous year, necessitating abnormally large wheat imports, contributed to the

large import bill. Imports of materials for further manufacture increased by £12.1 million over the previous year, a result of the rise in industrial activity, and so did imports of machinery and equipment, especially for Ireland's only oil refinery. The accompanying table gives comparative figures by main commodity groups for the years 1958 and 1959.

IMPORTS INTO IRELAND

Commodity Group	1958	1959
	(£ million)	
Petroleum oils, refined	15.7	10.8
Machinery except electrical	14.2	16.3
Other textiles excluding clothing	13.5	13.1
Road motor vehicles including aggregates and parts	10.4	11.0
Iron and steel	10.0	9.1
Coal	8.2	7.9
Other chemicals, perfumery, dyes and colours	7.3	8.5
Fruit, nuts and vegetables	6.6	6.5
Paper and cardboard	6.0	6.4
Fertilizers	5.7	6.4
Electrical machinery, goods and apparatus	5.5	5.5
Wheat	4.8	8.5
Cattle imported permanently	4.6	3.8
Other live animals	5.3	5.8
Other vehicles and parts	4.3	4.7
Ships and boats and parts	4.1	2.4
Tobacco	4.0	3.4
Tea	3.9	4.5
Wood, timber and cork	3.8	4.1
Non-ferrous metals	3.5	4.6
Cutlery, hardware and implements	3.4	3.5
Cotton woven fabrics	2.9	3.1
Raw wool	2.4	3.1
Cocoa and preparations	2.4	3.2
Other foodstuffs	2.3	2.1
Medical and pharmaceutical products	2.3	2.7
Rubber	2.1	2.6
Total, including all imports	199.0	212.5

The United Kingdom continues to be the Republic's chief trading partner. Over 80 per cent of its exports go to the U.K. and Northern Ireland and up to 60 per cent of its imports originate there.

The following statistics show principal countries of origin for imports during 1959 (c.i.f. values over £5 million):

From	(£ million)
Great Britain and Northern Ireland	100.8
United States	8.9
West Germany	14.0
Netherlands	10.5
CANADA	6.3
Australia	5.6
	5.2

The trade relationship between the Republic of Ireland and the United Kingdom has been further strengthened by an agreement signed in London on April 13, 1960. This supplements the original Trade Agreement of 1938 and the supplement of 1948. Broadly speaking, the special relationship between the two countries rests on the preferential treatment accorded to British imports, in exchange for which Irish agricultural and industrial goods enjoy virtual duty-free entry into and certain other advantages in the British market.

Ireland is not a member of EFTA or the EEC, and the Irish Government has therefore emphasized in recent months closer economic co-operation with the United Kingdom, its natural outlet.

Canada, under the Trade Agreement of 1932 with Ireland, is the only other Commonwealth country sharing the special treatment accorded Britain in the Irish market.

To encourage and foster the growth of local industry, the Government offers generous incentives. Protection in the form of tariffs, special import levies and quantitative restrictions is also used. The Republic is not a member of GATT although the idea is being explored.

With the evolution of the two European trading groups and the need to exploit the British market more systematically, the Irish Government has over the past months warned local industry that the days of protectionism are drawing to a close. Individual companies are advised to streamline their operations and to face competition from without, as well as in foreign markets.

An encouraging sign in the 1960/61 Budget was the removal in certain instances and the lowering in others of the majority of the remaining special import levies. Some of these levies (which were assessed at a percentage of the duty-paid value of imported goods) seriously curtailed imports or in some instances made the cost of them prohibitive.

Trade with Canada

Canada, with the United Kingdom, enjoys special advantages in the Irish market but increased trade is hampered in many instances by our inability to compete in price. A further but natural disadvantage is transportation and delivery time. However, our sales to Ireland have risen from £3.7 million (c.i.f.) in 1957 to £5.6 million last year.

Canada is now selling a wide range of products, although many of them are small in value. Our chief exports to Ireland are wheat, newsprint, and aluminum ingot; others are fresh apples, canned fish, seeds for sowing, leather, textile piecegoods, timber, asbestos fibres, certain medicinal preparations, drugs and chemicals n.o.p., and electric stoves. These are but a few. The expansion and diversification of our exports is progressing.

Prospects for 1960 are encouraging. The economy at the beginning of the year was in a better position than for some time. Output in all sectors rose through 1959, assisted by the progressive implementation of the Government's Five Year Program (1959/64) for Economic Expansion. Much will depend on whether continuing vigor in industrial production and exports can counteract increased imports of raw materials and manufactured products. Prospects for exports of live cattle, Ireland's major single export, are brighter. It is, however, difficult to determine whether cattle sales will be large enough to absorb the increased supplies. The sale of feeder cattle to the United Kingdom will continue to lag because it depends upon the stepping-up of the program to eradicate bovine TB. ●

Italy

Exports rose to new high last year, industrial output increased, but unemployment and the depressed south posed problems. Liberalization of imports is proceeding but Canadian sales still hampered by import licensing.

J. G. IRELAND, *Assistant Commercial Secretary, Rome.*

LAST year will go on record as one of brisk activity for the Italian economy and the 1960's began on a note of optimism.

Industrial production in 1959 climbed by almost 11 per cent over the preceding year; the chemical, leather, furniture, cellulose, and rubber industries registered the biggest gains. However, all main groups of industrial activity made progress, with the exception of electrical machinery. The gross national product (at current prices) increased 6.2 per cent over 1958, a rise in real terms of 6.6 per cent when the slight 1959 fall in general price levels is taken into account. For the first time in decades, the national income grew more in real than in monetary terms.

More jobs were available during 1959 and real wages rose to a new high. Trade both at home and abroad was active and Italy's reserves of gold and foreign exchange increased substantially. The general index for investments for 1959, which includes both public and private, gained about 5 per cent over the previous year. Foreign investment was particularly large.

Agriculture did not fare as well. Although most 1959 harvests were fairly satisfactory compared with average years, net agricultural income decreased by 2.2 per cent compared with 1958, largely because of a fall in prices of many commodities. Italy continues to depend on sizable imports of several agricultural products — including meat products, butter, oilseeds and most grain (with the exception of soft wheat, of which she has a

surplus). This dependence on imports of certain agricultural commodities while others are in over-supply many Italian authorities consider to be one of the more serious problems facing the country. The Italian Government is not unaware of this and late in 1959 announced its "Piano Verde" or "Green Plan", under which some \$880 million will be spent to modernize agriculture over the next five years.

Two Serious Problems

The need for improvements in the agricultural field is not the only serious problem that detracts from present prosperity. Two of the more serious are the necessity of more rapid development in southern Italy and of a decrease in unemployment. The chronic depression of southern Italy has led postwar Italian Governments to adopt as a major policy the stimulation of development there in order to bridge the gap between north and south. Much good work has been done and millions of dollars of state and private funds spent in the south. However, lately criti-

cism has been heard that the gap is not being bridged and that the Government should take further steps, particularly in stimulating private investment in the more depressed areas. Despite the progress made, the brisk rate of northern economic development has tended to show up the disparity between the two areas.

The other serious problem, also chronic, is the large number of unemployed in Italy—estimated by many at about 10 per cent of the working force. Available statistics, not entirely reliable, place the number of unemployed at anywhere from 1 million to 1,800,000. In addition to the unemployed, there are hundreds of thousands of Italians only partially or underemployed. In recent years, unemployment has been reduced somewhat but the problem will undoubtedly continue to be serious in the foreseeable future.

Foreign Trade

Italy's foreign trade flourished in 1959 and played an important part in her progress. Exports rose by 12 per cent in value and at least 20 per cent in volume over 1958 to a new high of \$2,800 million. Imports rose by only 4 per cent in value to \$3,200 million but the resulting trade deficit was almost 30 per cent smaller than in the previous year. Exports of textile products, footwear and motor vehicles were particularly satisfactory.

During 1959, Italian gold and foreign exchange reserves increased

ITALO-CANADIAN TRADE

	Can. Exports to Italy	Can. Imports from Italy	Total Trade	Balance
	(in millions of dollars)			
1953	33.2	14.3	47.5	+18.9
1954	23.8	15.0	38.8	+ 8.8
1955	27.6	18.5	46.1	+ 9.1
1956	37.7	25.0	62.7	+12.7
1957	62.8	33.0	95.8	+29.8
1958	29.8	32.8	62.7	- 2.9
1959	32.2	38.4	70.6	- 6.2

by about \$1,000 million and totalled slightly more than \$3,000 million by the end of the year—the third highest in the free world, after the United States and West Germany. The improved trading position, the substantial increase in “invisible earnings”, and the very large inflow of private foreign capital (\$460 million, or just over double that of the previous year) made this remarkable increase possible.

Trade with Canada

Canadian exports to Italy consist primarily of a relatively small number of raw and semi-processed materials, but our imports from Italy are made up of a large number of products, ranging from machinery, equipment and automobiles to textiles, handicrafts, and a variety of typically Italian foodstuffs. Italo-Canadian trade has grown fairly steadily over the past few years but only since 1958 has the balance of trade been in Italy's favour. The table on page 23 shows the steady rise in Canada's imports from Italy and the more erratic course of our exports to Italy. The exceptionally high value of imports from Canada in 1957 stemmed from the high prices for commodities and high freight rates following the Suez crisis, and the marked build-up in Italian inventories of many basic commodities during that year.

In view of Italy's substantial invisible earnings of Canadian dollars—including expenditures by Canadian tourists, immigrant remittances, earnings from ship charters and Italian investments in Canada—there is little doubt that Italy has for some years enjoyed a favourable balance of payments with us. To give some idea of the importance of these invisibles, it is estimated that expenditures by Canadian tourists in Italy are running at an annual rate of at least \$15 million.

Canada's position as a supplier of basic materials to Italian industry is clearly shown by the following table, which lists principal Canadian exports during 1958 and 1959.

PRINCIPAL CANADIAN EXPORTS TO ITALY

	1958	1959
	(dollars)	
Rapeseed	2,245,329	4,632,792
Wheat (excluding durums)	1,990,411	3,969,108
Primary aluminum	1,347,659	3,009,583
Durum wheat		3,538,004
Drugs and chemicals, n.o.p.	2,962,555	1,996,312
Wood pulp	1,577,062	1,591,502
Fine nickel	3,826,323	1,276,932
Frozen eggs	146,838	1,254,889
Pulpwood, peeled	1,188,939	996,078
Salt codfish	763,302	986,967
Asbestos milled fibres	828,813	865,581
Copper ingots, bars, billets	2,896,736	765,647
Aluminum scrap	255,348	736,234
Acids, n.o.p.		608,748
Mustardseed		559,521
Wool rags and waste	177,025	404,813
Bookkeeping and calculating machines	227,766	370,705
Nickel in oxide		359,328
Canned salmon	449,927	346,869
Machinery and parts, n.o.p.	90,004	330,329
Prepared animal foods		292,383
Medicinal preparations	72,562	281,459
Lumber of Douglas fir and hemlock	506,835	256,197
Iron ore		249,370
Rags and waste, n.o.p.	120,840	223,970
Calfskins and kips, raw	204,241	223,393
Furskins, undressed	150,637	197,965
Total of items listed	22,029,152	30,324,679
Total exports	29,915,085	32,235,212

The foregoing table indicates the wide fluctuations from year to year in the quantities and types of Canadian goods that find a market in Italy. Although these might not be considered unusual in a price-conscious market like Italy, nevertheless they emphasize the advantage of appointing a good local agent who will keep the Canadian product continually before his customers.

In June of 1959 and again at the beginning of 1960, the Italian Government took further steps toward liberalizing imports from the dollar area by freeing additional commodities from import licensing. The interested exporter can obtain details from the International Trade Relations Branch but a few of the items of potential interest include: certain iron and steel products; burners; certain tools, machine tools and business machines; engines; tanned leathers; fresh or frozen fish and fowl, canned fish; serums and vaccines; paints; lumber, and certain papers. However, many commodities of importance to Canada are still subject to import licensing. In view of Italy's rapidly improving trading position and large foreign exchange holdings, it is becoming more and more difficult to justify discrimination against dollar goods. The Italian Government appears to be aware of the situation and further liberalization should be announced in the not far distant future.

Italy and the Common Market

At the beginning of 1959 Italy reduced by 10 per cent the rates of duty applicable to trade within the Common Market and the second reduction of 10 per cent is scheduled for July 1, 1960. The first reduction was also extended on a most-favoured-nation basis but only for selected items from approximately the first two-fifths of the Italian customs tariff. The 10 per cent reduction in duties on selected items from the last three-fifths of the tariff was only extended to non-Common Market countries on January 1, 1960. It is too early to predict the ways in which implementation of the Common Market external tariff is likely to affect Canada's export trade with Italy. Nor is it possible to speculate about the future effect on Canadian trade of the recently established common tariffs for the so-called “List G” items, because in several cases import quotas will be permitted at below common tariff rates and these quotas have yet to be established. For certain other

The Netherlands

Coming of Common Market has given new impetus to Dutch economy; expansion expected to continue in 1960. Trade with Canada growing, though competition is sharpening.

J. C. BRITTON, *Commercial Counsellor, The Hague.*

items (including sulphur, silk, lead and zinc) it has been agreed that concessions should be made to Italy in the form of extensions of the time limit for the implementation of the common tariff. The future of Canadian trade with Italy could also be influenced by the common agricultural policy which has yet to be worked out among the Six.

Available Italian statistics for 1959 indicate that during the first year of the Common Market, there was a considerable re-orientation of Italian foreign trade in favour of the other member countries. Total Italian exports to all countries rose by 12 per cent over the preceding year, but exports to the Common Market increased by 30 per cent. Total Italian imports from all sources rose by 4 per cent and from the Common Market by 29 per cent.

Foreign Investment Rising

Since the new Italian investment law of February 1956, foreign investment has flowed into Italy in unprecedented amounts. The desire of firms in non-Common Market countries to participate in the business life of the Community has brought about a dramatic increase in foreign investment. During the past two years alone, it has risen from just under \$100 million in 1957 to \$225 million in 1958 and \$460 million in 1959. The United States, Switzerland, West Germany and the United Kingdom have made the most important contributions to foreign capital investment in Italy in recent years. In addition to government incentives and a favourable economic climate, Italy also has the advantage of a large pool of relatively cheap labour and a population with low levels of consumption and a rising standard of living. The postwar political instability does not appear to have shaken the confidence of foreign investors from many countries in the Italian economy. The chemical, pharmaceutical, petroleum and engineering industries have attracted the largest amount of foreign capital. ●

THE buoyant trading conditions prevailing in 1959 have continued and this year promises to be a satisfactory one for the Netherlands. The basic economic indices are all favourable and the pace of economic and business activity is expected to quicken as the year goes on. The boom in the Common Market has provided the impetus for Dutch economic recovery over the past 18 months and as the Common Market expands, so will Dutch business.

The Netherlands, with easy access to Western Europe's industrial centres, is using its traditional trading, financial, shipping and trade service potential to advantage

in developing Euromarket trade. Dutch exports to Western Europe in 1959 constituted 72.5 per cent of the country's total exports. Conversely, about 75 per cent of total imports came from Western European countries. Not all of this trade was carried on with Holland's EEC partners because the United Kingdom and a number of other countries, including Canada, are important markets for the Dutch. This in part accounts for their liberal trade policy and their desire to avoid trade discrimination.

Some of the highlights of the Dutch economy are revealing. Consumption in the Netherlands in 1959

SELECTED CANADIAN EXPORTS TO THE NETHERLANDS

	1958		1959	
	Volume (metric tons)	Value ('000 guilders)	Volume (metric tons)	Value ('000 guilders)
Wheat	399,664	94,059	155,655	38,078
Linseed	51,094	26,245	15,996	8,063
Rapeseed	15,333	5,975	19,034	7,188
Asbestos	6,231	2,687	8,993	5,560
Iron ore	181,838	8,088	144,518	5,014
Synthetic rubber	2,085	4,571	2,155	4,491
Pulpwood	54,287m ³	2,706	66,517m ³	2,799
Aluminum and alloys	872	1,658	1,317	2,503
Wood pulp	2,020	1,177	4,345	2,304
Douglas fir lumber	9,226m ³	2,484	7,738m ³	2,111
Rye	22,395	4,451	7,241	1,409
Synthetic scents	70	1,203	85	1,398
Canned salmon	632	2,069	303	1,171
Barley	5,138	1,043	5,841	1,151
Punch-card machines	63 nos.	692	35 nos.	1,107
Tobacco	228	945	166	763
Writing paper	489	520	662	724
Cowhides	992	993	530	719
Synthetic wastes	39	172	91	630
Polystyrene	410	1,020	308	541

increased by more than 3 per cent over the previous year. The gross national product stood at 38.64 billion guilders in 1959, compared with 36.45 billion in 1958, and is expected to rise to 41.7 billion this year. Industrial production increased by 6 per cent in 1959, reflecting both greater employment and higher productivity. Unemployment averaged about 75,000 in 1959. There is now virtually a shortage of labour in some industrial sectors and talks about importing labour from Italy are under way. Imports are close to a record, at 15 billion guilders in 1959. Exports, valued at 13.7 billion guilders, were at an all-time high in 1959. Despite limited natural resources and a population of only 11.4 million, the Netherlands ranked fifth as a world trader in 1958.

The Netherlands trade with its EEC partners increased in 1959 and prospects for a further rise this year appear good. Although total Netherlands foreign trade last year advanced 10.3 per cent over 1958, trade with West Germany rose by 20.9, with France by 32.9, and with Italy by 11 per cent. About 45 per cent of Netherlands imports came from Common Market countries and the same percentage of Dutch exports went to these countries; 14 per cent of Dutch imports in 1959 came from countries in the European Free Trade Area and 24 per cent of total exports went to this group. The Netherlands most important sources of supply in 1959 were West Germany, with 20.7 per cent of total imports, Belgium and Luxembourg 18.4 per cent, the United States 11 per cent, the

United Kingdom 7.6 per cent, and France 3.6 per cent. West Germany was Holland's principal market in 1959, taking 21.6 per cent of total exports, Belgium-Luxembourg 14.7 per cent, the U.K. 10.7 per cent, and France 5.3 per cent.

Common Market Potential

The acceleration of the internal Common Market tariffs scheduled over the next 12-18 months should mean increased trade for the Netherlands in the Euromarket. Industry, shipping, trade and other Dutch services have been geared for Common Market development. The Europort near Rotterdam, in process of development, is tangible evidence of this preparation. Holland, with a level of wages about 15 per cent below its EEC partners, has been singularly successful in attracting foreign subsidiaries in recent years. Since 1945 some 300 foreign firms have established plants of one type or another in the Netherlands, with the U.S. alone setting up 140. Because the domestic market in the Netherlands is small and its raw materials limited, the impetus for this development has come from the Common Market. The geographical location of and business acumen in Holland commend it as a springboard for sales to the Euromarket.

Canada-Netherlands Trade

Canada-Netherlands trade has grown steadily but not spectacularly in recent years. Canada is now exporting to Holland agricultural products, components and raw materials for further processing, but only limited quantities of manufactured goods. Canadian exports were valued at 127 million guilders, slightly less than 1 per cent of total Dutch imports in 1959, compared with 196 million in the previous year. Smaller wheat sales largely accounted for the decrease. The volume of Dutch purchases of Canadian wheat in the first three months of 1960 has increased sharply—to 31,963 tons from



—UN Photo.

A barge loaded with Dutch cheeses heads down a Friesland canal to a marketing centre. The canals provide cheap and convenient transportation for farm products.

17,699 tons in the comparable period last year. Other key Canadian exports to Holland—such as barley, asbestos, iron ore, pulpwood, aluminum—have registered encouraging rises this year. Linseed, oats, synthetic rubber and wood pulp were other important Canadian exports to Holland in the first quarter of this year.

Netherlands exports to Canada in 1959 were valued at 107 million guilders, a worthwhile rise from 95.5 million in 1958. The products entering Canada from Holland cover a fairly wide range and include electrical apparatus, machinery, metal products, textile fabrics, musical instruments, plants and bulbs, cocoa butter and paste, cheese, tin, and ships and boats. For the first two months of 1960, Dutch exports to Canada gained 7 per cent over the comparable period in 1959.

A Competitive Market

Trade in the Netherlands is highly competitive and will probably become more so as the market expands. Price is the Dutch yardstick for most purchases and must be taken into account in assessing sales potential here. Holland may very well increase in importance as a market as the EEC potential materializes, and it is and should continue to be a worthwhile market for Canadian products. The demand for raw materials and goods for further processing—such as forest products, metals and minerals, and chemicals—should advance appreciably in the next decade. In these sectors, and in wheat and grains and other agricultural products, Canada can look for continuing and in some instances larger trade with Holland in the future. As a market it merits continuous, close attention on the part of Canadian exporters.

Current Economic Outlook

Based on results in 1959, there is considerable room for conservative development in the Netherlands in the present year. Netherlands

foreign exchange reserves declined by 413 million guilders to 5,056 million at the end of 1959, but almost entirely because the Netherlands surplus with the old EPU was removed from official reserves. Though the reserves of the Central Bank remained unchanged in 1959, net holdings of foreign exchange by private Netherlands banks rose sharply—from 66 million guilders to 147 million. Credit was readily available and interest rates remained low throughout the year. Total national expenditure in 1960 is expected to exceed that of the previous

year under the impetus of increased consumption and industrial investment. (The increase in consumption is attributed in part to general wage increases.) The Dutch Government at the beginning of May moved to curtail credit expansion by restricting the opportunity for advanced depreciation and the tax reduction granted for investments. It is considered that currently tax incentives are not required to encourage investment. Production in Holland is high and the economic position is distinctly favourable, so that prospects for 1960 are excellent. ●

Norway

Last year saw gross national product, imports and exports rise; with purchases worth \$62½ million, country became Canada's fifth largest market.

M. B. BURSEY, *Commercial Counsellor, Oslo.*

THE economic situation in Norway improved during 1959 and, following the 1958 recession, production rose in most industries. The gross national product climbed to 33,767 million kroner from 31,950 million in 1958 and is expected to reach 35,297 million this year, based on average 1959 prices.

The following table shows the distribution of the gross national product over some of the major industrial sectors in 1958 and 1959 (based on current prices) and the estimate for 1960.

	1958	1959	1960
			(est.)
	(in million kroner)		
Agriculture	1,756	1,886	1,995
Fisheries	555	620	642
Forestry	966	865	919
Manufacturing industries and mining	7,814	8,295	8,731
Building and construction	2,297	2,441	2,568
Shipping	3,766	3,822	4,109
Commerce	5,659	6,077	6,268
Electric power supply	786	850	903

As the table left shows, the gross national product increased in 1959 in all major sections except forestry. The greatest expansion occurred in manufacturing and in the production of electric power. A less favourable growing season and poor fishing conditions affected output in agriculture and fisheries adversely. The shipping industry suffered from a poor market for freight carriers and a relatively large amount of laid-up tonnage.

Foreign Trade

Norway's total foreign trade during 1959 (excluding ships and shipping) was valued at 12,900 million kroner, compared with 12,169 million in 1958. Commodity exports rose by 444 million kroner to a total of 5,580 million and commodity imports increased by 287 million to a total of 7,319 million.

According to preliminary figures, when the freight earnings of Norway's shipping industry and values

of imports and exports of ships, etc., are added to the above figures, the deficit in the balance of payments on current account works out at 640 million kroner at the end of 1959, compared with 1,096 million in 1958.

Export and import trade during 1959 followed the same pattern as in 1958. Exports to the United Kingdom (154 million kroner), the United States (122 million) and West Germany (105 million) increased. Imports from the following countries also rose: from Japan (40 million kroner), Netherlands West Indies (33 million), Venezuela (26 million), United States (22 million), Jamaica (21 million), and Canada (10 million).

The principal Norwegian commodities chalking up larger sales abroad in 1959 were dairy products, up 83 per cent; herring and fish, 5 per cent; canned fish products, 14 per cent and hides and skins, 26 per cent. Higher prices contributed to these increases, particularly in dairy products. These consumer goods groups, however, accounted for only 17 per cent of the total value of goods exported during 1959. The remainder of Norway's exports consisted mainly of raw materials, semi-manufactured and manufactured goods and it is in some of these groups that the substantial increase in exports is to be found. Exports of chemicals (which include fertilizers, explosives, etc.) increased by 76 million kroner during 1959 and exports of paper and paperboard by 61 million kroner, in spite of somewhat lower prices. Metals achieved the largest increase in export value—from 1,253 million kroner in 1958 to 1,473 million in 1959—as a result of greater production and a corresponding rise in export volume. This group includes iron, steel, aluminum and copper, the export prices of which were, on the average, lower in 1959 than in the previous year.

The increase in imports during 1959 took place mainly in the following groups—chemicals, from 485 to 578 million kroner; yarns,

piecegoods, etc., from 463 to 543 million; and machinery and apparatus from 1,090 and 1,159 million. Imports of the following commodities declined during 1959: fruits and vegetables, from 277 to 240 million kroner; coffee, down by 59 million kroner, or 26 per cent, as a result of a considerable decline in prices; fuels, from 849 to 826 million kroner; transport equipment (excluding ships), from 447 to 382 million kroner. Imports of passenger automobiles decreased from 23,213 units in 1958 to 22,077 units in 1959.

Conditions Changing

On December 31, 1958, the European Payments Union came to an end and on January 1, 1959, Norway introduced partial currency convertibility, liberalizing imports from dollar countries. By the end of 1959 imports from dollar countries were fully liberalized, placing dollar suppliers in the same position as those from soft currency countries—with a few exceptions, where bilateral quantitative trade agreements apply.

On November 20, 1959, Norway, in conjunction with six other countries, signed a Convention setting up the European Free Trade Association. Some 17 per cent of Norway's gross national product consists of commodity exports and about 40 per cent of these exports go to the other EFTA countries (half to the United Kingdom alone). About 27 per cent go to the six Common Market countries.

As these figures indicate, Norway is concerned about any radical change in the pattern of world trade and especially of European trade. Although EFTA is commercially useful, it nevertheless leaves unprotected a sizable portion of Norway's external trade. It is difficult at this time to forecast what effect, if any, the establishment of the Inner Six and the Outer Seven groupings will have on Norway's exports, although it is felt that the benefits to be derived from its association with EFTA may outweigh any disad-

vantages from the formation of EEC.

Canada's Trade with Norway

In 1959 Norway became Canada's fifth largest market, taking goods to a value of \$62.4 million, compared with \$55.9 million in 1958. About \$50 million of these exports consisted of unrefined metals (mainly nickel and copper) compared with \$43.8 million in 1958. Exports of other products totalled \$12.4 million in 1959 compared with \$12.1 million in 1958.

Canada's exports to Norway during 1959 therefore increased only slightly over 1958. Among the commodities that had larger sales in 1959 were clover seed, tobacco, upper leather, edible beef and pork offal, commercial fishing nets, steel sheets and plates, marine engines and parts, aircraft engines and parts, mining machinery and parts, calculating machines and parts, power-operated saws and parts, motor vehicles and parts, spark-plugs, asbestos fibres, acids, medicinal preparations, synthetic resins, polystyrene, drugs and chemicals, and boots and shoes. Exports of fresh apples, rye, wheat, whisky, flaxseed, timothy grass seed, synthetic thread and yarn, shoe machinery and parts, cement and cement manufactures, and pigments decreased.

Many Canadian firms maintained their sales of certain commodities to Norway or improved them slightly during 1959 over the previous year. This slight improvement no doubt resulted in some measure from Norway's liberalization of imports from dollar countries.

The value of Canada's imports from Norway increased substantially in 1959—to \$4.2 million from \$3.2 million in 1958. The list of products that we buy from Norway is a long one. Some of the more important in 1959 included alloys for the manufacture of steel, wood furniture, rough steel castings, cranes of a kind not made in Canada, electric-light fixtures, undressed mink furskins, synthetic resins, firecrackers,

open pleasure boats, fresh squid, and canned shrimps. Our imports of sportsmen's fishing tackle, commercial fishhooks, canned sardines, canned kippered herrings, salted herrings, and bonded grinding wheels declined in value last year.

Outlook for Trade

It is not possible at this time to forecast what effect EFTA will have on Canada's exports to Norway this year. Recent contacts with Norwegian importers and agents reveal

an interest in trade with Canada, though some Canadian trade promotion has been hampered by unfavourable prices compared with those of other supplying countries. This is particularly true of supplies from European sources which benefit from lower freight costs than those from Canada.

About 10 per cent of Norway's total imports (based on estimated imports for 1960 of 7,900 million kroner) still remain on the global quota list and import restrictions

still apply to most agricultural products. It is generally understood, however, that when Norwegian import licences are granted for purchases of supplies included in the global quota list, price and quality are the main considerations.

All things being equal, therefore, the outlook appears favourable for Canada's export trade with Norway to continue on the same level, with the possibility of introducing new products and increasing our traditional trade if prices are right. ●

Portugal

Portugal looks ahead to faster and more thorough industrialization and to modernization of agriculture through membership in EFTA, IBRD, IMF, and through its own Six-Year Development Plan. Lifting of dollar restrictions should open doors to more Canadian goods.

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

PORTUGAL pushed ahead with its economic stabilization program during 1959. As in previous years, the Government strove to maintain currency valuation and stimulate industrial development under the new Six-Year Development Plan.

One of the big events of the year that has stimulated and will continue to stimulate Portuguese industrial development was the country's entrance into the European Free Trade Association in December. Membership in EFTA will force Portugal to modernize and strengthen its economy more rapidly to meet the demands of the new situation. But because of the relative backwardness of its industry in relation to other EFTA countries, and because of its special economic problems, Portugal has been given special privileges. Industries exporting 15 per cent of their output will benefit from protective duties to be eliminated over ten years; this will

be extended to 20 years for other industries. Protective duties for new industries will be authorized up to 1972—two years after EFTA is in full effect. In November 1959 Portugal amended its Customs Tariff to conform with the Brussels Nomenclature. Many articles were reclassified and import duties (particularly for some manufactured goods—machinery, vehicles, etc.) were increased substantially.

Six-Year Development Plan

Much progress was made under the 1953-58 Development Plan though a number of projects were unfinished; these will be completed under the new Plan, 1959-64. They include electric power plants, now under construction, that are expected to generate some 620,000 kw. A \$100 million steel mill is being built and should come into production in 1961. Last year also brought progress on the expan-

sion of the pulp and paper, fertilizer, petrochemical, and motor vehicle (especially trucks and heavy vehicles) industries—all of which will provide added employment.

To help finance the Six-Year Plan, Portugal set up the National Development Bank, with a capital of some \$35 million. In addition, she was accepted in September as a member of the IMF and IBRD, thus making it easier to obtain funds for economic development.

National Income Rises

The gross national product in 1959 increased by about 3 per cent, compared with 1.6 per cent in 1958 and 3.8 per cent in 1957. The average for the period 1952-57 was 4.3 per cent. This decline in rate of expansion resulted mainly from a drop in agricultural production and in fisheries, though industrial production increased.

Agriculture is still basic in Portugal. Last year's production of wheat, rye, potatoes and wine was unsatisfactory; output of wine declined for the second year in succession to below the average of the past ten years. On the other hand, olive oil production improved in quantity though not in quality, and the output of cork, an important export, jumped from 131,000 to



In a Portuguese wheat field, labourers are stooking the wheat on carts, with the stalks of grain outside and the ears inside, while the patient donkeys stand by.

170,000 tons. Plans are under way to modernize Portuguese farming methods, including the use of crop rotation, soil analyses, and irrigation, and the distribution of uncultivated land.

Mineral production continued to decline, as in previous years, with wolfram, lead and iron ore suffering most.

On the other hand, manufacturing improved considerably over previous years, especially the output of electrical energy, chemicals, petroleum and metallurgical products. Textiles enjoyed increased export demand because of rationalization in the industry, stabilization of prices, and the steady supply of raw materials from the overseas provinces.

Finance and Trade

Portugal balanced its expenditure and budget revenue for the year 1959 with a surplus of 30,917 contos (one conto=1,000 escudos=\$33.00).

Despite an unfavourable foreign trade balance of over 5 million contos in 1959, the balance of payments showed a surplus of 1.14 million contos. Although Portugal's balance of payments with OEEC countries is in deficit by 1.7 million contos, this is outweighed by the

favourable balance with the Americas, mainly the United States and Canada (2.8 million contos). In 1958 the favourable balance of payments totalled 1.18 million contos and in 1957, 175,000.

Portugal ran a deficit in over-all trade in 1959 as in previous years. Imports totalled 13,613 million escudos and exports 8,340 million—a deficit of 5,273 million. The deficit was smaller than in the previous year by 240 million escudos because of a cut in imports of 200 million escudos and a boost in exports of 40 million.

Dollar Restrictions Lifted

Canada's trade with Portugal (merchandise trade) represents less than 1 per cent of total Portuguese

trade but it is expanding steadily. In 1958 our trade with Portugal totalled 158,000 contos—a little over \$5 million. This dipped slightly in 1959 to 154,300 contos, though Canadian figures show a slight rise. Although Canadian exports to Portugal over the last six years have remained relatively stationary, our imports from Portugal have gradually increased by 50 per cent between 1955 and 1959. Our shipments to Portugal have no doubt remained static because of the restrictions on dollar imports. These restrictions were lifted at the end of 1959 and Canadians should look forward to bigger sales; trade figures for the early part of 1960 show that exports to Portugal are, in fact, rising.

When considering trade balances between Portugal and Canada, the overseas territories or outer provinces are considered an integral part of Portuguese territory. These include the Azores, Madeira, Portuguese Asia, East and West Africa. Canadian-Portuguese trade for the past three years is shown in Table I. The reader will note that there is a considerable trade balance in our favour when the overseas territories are taken into account. This trade has, in fact, been consistently favourable, growing steadily to a total of over \$9.2 million in 1959, with an export surplus of \$2.8 million. The surplus is the result mainly of big shipments to Portuguese East Africa (Mozambique) of newsprint, lumber, wheat and cellulose products; imports from that territory of

TABLE I CANADA-PORTUGAL TRADE

	Imports into Canada			Exports from Canada		
	1957	1958	1959	1957	1958	1959
	(\$'000)					
Continental Portugal	2,664	2,967	3,040	2,605	2,280	3,074
Azores and Madeira	149	153	176	214	314	243
Portuguese Asia (Portuguese India, Macao and Timor)			1	461	341	358
Portuguese East Africa	41	24	18	2,139	1,334	2,022
Portuguese West Africa (Angola, St. Thomé, Cape Verde and Guinea)	33	12		219	344	317
Total	2,887	3,157	3,234	5,638	4,613	6,014

TABLE II
CANADIAN TRADE WITH
CONTINENTAL PORTUGAL

	Imports from Portugal	Exports to Portugal	Total
	(\$'000)		
1954	2,013	2,397	4,410
1955	1,999	2,393	4,392
1956	2,193	1,873	4,066
1957	2,664	2,771	5,435
1958	2,967	2,280	5,247
1959	3,040	3,074	6,114

TABLE III
CANADIAN IMPORTS FROM
PORTUGAL

	1958	1959
Cork slabs and boards for manufacture	\$731,422	\$930,331
Cork slabs, boards, tiles, n.o.p.	264,714	400,283
Corks	108,066	93,299
Corkwood (manufactured and unmanufactured)	337,858	78,582
Wines, non-sparkling	372,683	384,987
Anchovies and canned sardines	315,314	311,807
Baler twine	196,084	138,588
Coloured cotton fabrics, n.o.p.	20,489	101,697
Brandy	85,071	88,058
Plywood, hardwood		35,275
Figs, dried, and fig paste	17,266	33,140

TABLE IV
CANADIAN EXPORTS TO PORTUGAL

	1958	1959
Cod	\$531,819	\$861,578
Flaxseed	392,730	669,889
Tobacco, burley	86,868	260,913
Aluminum and its products	240,738	184,621
Copper ingots, bars, billets	27,158	160,965
Iron and steel	92,258	103,731
Bait fish or shellfish		90,916
Aircraft engines and parts		77,779
Drugs and chemicals, n.o.p.	102,093	77,778
Synthetic fibre, thread and yarn	37,007	75,994
Wheat flour	99,815	72,773
Asbestos products	71,970	62,803
Films, n.o.p.	36,559	37,348
Fine nickel	5,273	31,804

JULY 2, 1960

tea, nuts, sisal, etc., were almost negligible.

Table II shows that Canada's trade with continental Portugal has been growing and has been kept in balance during the past six years.

Our principal imports from Portugal in 1958 and 1959 are shown in Table III.

Table IV lists Canada's main exports to Portugal. According to DBS figures, our total sales to Portugal increased from \$2,280,093 in 1958 to \$3,074,431 in 1959. Bigger exports are the result mainly of increased shipments of flaxseed and tobacco, though cod sales in 1959 also rose over 1958. Sales of aluminum slumped but those of copper climbed; gas engines were replaced as an export by aircraft engines and parts; asbestos and drugs and chemicals dipped slightly, and so did our wheat-flour sales.

(Because Portugal is nearly self-sustaining in wheat and other grains, flour purchases are for special purposes rather than for general consumption.)

It is difficult at present to foresee what Portugal's membership in EFTA will mean in the way of increasing trade opportunities. Undoubtedly the stimulus of opening up a market to countries more advanced industrially—as the other members of the Seven are—will require adjustments in Portuguese production and trade, and adaptations in industry and agriculture. Every effort will be made to expand national production and consumption, especially considering the fact that Portuguese trade balances are in deficit. But the measure of success achieved in boosting exports will determine how great improved trade opportunities will be. ●

Sweden

With improved markets for forest and industrial products, a balance-of-payments surplus, and rising foreign exchange reserves, Sweden is recovering steadily from the 1958-59 slump. Canadian sales climbed to \$15 million last year.

A. P. BISSONNET, *Commercial Counsellor, Stockholm.*

SWEDEN is riding high on the current wave of business prosperity in Europe. The recession of 1958 and early 1959 gave way last year to a marked economic upswing and the Swedes entered 1960 with a well justified optimism. Foreign trade, the key to the Swedish economy, is expanding, and higher export earnings are expected to maintain the foreign exchange reserves at their present level. Industrial production has also climbed substantially.

Timber Products

Lumber—Sales of lumber during 1959 jumped by 20 per cent over 1958, though prices did not rise

accordingly, to the dissatisfaction of producers. Total sales for the year are estimated at over 1.05 million standards. Main customers were the United Kingdom, the Netherlands, West Germany and Denmark, in that order.

Sweden's production of sawn timber declined in 1959 by 200,000 standards to 1.5 million, compared with 1.7 million in 1958. The decline in production, plus an increase in exports of sawn and planed goods from 824,000 standards in 1958 to 971,000 in 1959, helped to reduce stocks of the major exporting mills by about 90,000 standards at the

end of the year—to the lowest point, in fact, since 1951.

During 1960 it is expected that Swedish production will again rise to the annual average (1954-58) of about 1.7 million standards. About 700,000 standards will probably be used domestically, leaving about one million for export. Because Swedish export sales in 1960 are estimated at about 750,000 standards, Swedish exporters should have no difficulty in reaching the one million mark. If production exceeds 1.7 million standards in 1960, the surplus will be used to replenish stocks.

Meanwhile, demand for sawn timber in 1960 has so far been extremely lively, according to reports, and by mid-April 80 per cent of Sweden's total estimated exports of sawn timber for 1960 had already been sold. This has resulted in a slackening of business for the time being. Prices are going up again and seem to be nearing the pre-1958 level.

Pulp and Paper

Pulp—The market for Swedish pulp was uncertain at the beginning of 1959, though it improved steadily as the year progressed. As a result, restrictions on output in effect in the last half of 1958 were lifted during the first half of 1959 and deliveries for the whole year reached new records. Shipments were up at the end of 1959 by more than 300,000 tons to a total of 2.7 million.

The industry anticipates a new pulp production record for 1960; most mills are now working at full capacity. At the moment, 90 per cent of the 1960 output of chemical pulp has been placed and prices are rising. Chemical pulp production during the past four years has been as follows: 1956—3.2 million tons, 1957—3.3 million, 1958—3.1 million, 1959—2.7 million.

Paper—Last year was a good one for the Swedish paper industry. With production and sales expand-

ing, output of all kinds of paper in 1959 was estimated at about 1.85 million tons, an increase of nearly 200,000 tons over 1958. Exports in 1959 totalled 1.07 million tons—118,000 more than in 1958. The accompanying table shows how production and exports have climbed during the past three years.

SWEDISH PAPER PRODUCTION AND EXPORTS

		Other Paper		Total
		News- print	and Board	
('000 tons)				
Production	1957	432	1,249	1,681.0
	1958	449	1,233	1,682.0
	1959			1,850.0
Exports	1957	256	704	961.1
	1958	278	700	978.5
	1959	312	764	1,077.3

The 1959 export figures, as the table indicates, are 12 per cent over 1958, and though production is still running short of capacity, present orders suggest an increase in 1960 also.

According to the latest reports, orders so far in 1960 are satisfactory for most types of paper. This, however, does not include newsprint in which there is still surplus world capacity. In the latter part of 1959, prices reached stability at the lower level established during the first month of the year.

The managing director of the Swedish Paper Association states that Sweden expects to boost its paper-production capacity during 1960-1962 by nearly 600,000 tons; almost two-thirds of this will be in kraft paper and kraft liner. This program will naturally depend on completely liberalized international trade and a free economy. It goes without saying that the Swedish paper industry looks to the possibility of a bridge between the Six and the Seven.

Wallboard—Wallboard output and exports in 1959 expanded over 1958; production jumped by 24,000

tons to 557,000, and exports by 40,000 tons to 390,000.

Iron and Steel

Almost as important to Sweden as the forest industry are the iron ore mines. Although iron ore production at the beginning of 1959 was cut by 12 per cent, demand from domestic and foreign consumers improved so much during the year that deliveries were well above the corresponding period of 1958. Quantity of iron ore mined during 1959 is estimated at about 18 million tons, or at least 3 per cent more than in 1958. Contracts signed by Britain, West Germany and Belgium for deliveries in 1960 point to an increase in Swedish iron ore exports of some 20 per cent compared with last year.

Steel output and exports also broke records last year, reflecting increased demand from the engineering and building industries. By the end of 1959 most of the steel industries had enough orders on hand to keep them fully occupied throughout 1960.

Heavy Industry

Output in the engineering industries is estimated to have risen between 2 and 3 per cent in 1959, with the volume of orders on hand at the end of the year considerably higher than the year before. Because of the relatively high cost of Swedish labour, the industry has encountered severe competition in domestic and foreign markets. Despite this, exports in 1959 rose about 10 per cent above 1958.

Sweden's rapidly expanding automobile industry exported record numbers of cars and commercial vehicles in 1959—some 50,000 units, sold mainly to the United States. Prospects for 1960 are promising so far and manufacturers expect a big jump in exports of passenger cars.

Volvo's output in 1959 totalled about 89,500 units (79,000 passenger cars) valued at some Kr.-1,000 million; over half of these

were exported. Total production in 1960 is estimated at over 100,000 units.

Saab's output in 1959 totalled about 18,000 cars, of which 8,600 were exported, mainly to the United States. Production during 1960 is estimated at 28,000 units and exports to the United States are expected to reach about 10,000.

Shipbuilders had a record year in 1959 both in tonnage launched and delivered. The 21 shipyards in Sweden launched 74 ships of 870,000 gross tons and delivered 74 totalling 765,000, a slight rise over 1958. At the end of December there were orders on the books for 200 vessels totalling 2.6 million gross tons. It is estimated that this will be enough to keep the yards fully employed for from 3 to 3½ years.

Agriculture

Mainly because of lack of rain in the summer of 1959 the harvest was below average for the third year in succession, though better than in 1958. The yield of bread grains was 37 per cent higher than in 1958, and yields of oats, barley and oilseeds were also larger.

The wheat crop in 1959 totalled 780,000 tons, with an estimated surplus for export of 120,000. Sweden is suffering from no general wheat shortage except of quality wheat. It was estimated that 50,000 tons of high-grade wheat would have to be imported in 1959-1960 and another 150,000 tons of all kinds of wheat.

The rye harvest in 1959 totalled 208,000 tons, providing a surplus for export of about 18,500. There is a certain demand for imported quality rye.

Of special interest to Canada is the Swedish apple crop. Following a bumper crop in 1958, the 1959 harvest was average. The market for Canadian apples in Sweden, however, depends not only on crop conditions in Sweden, but also on conditions in other European supplying countries.

Harvest prospects for 1960 are difficult to predict at the moment. However, the area under autumn sowing has increased by 26 per cent; sowing of winter wheat in particular was up 32 per cent over 1958. Sowings of winter oleiferous plants were reduced by over 37 per cent, mainly because of the drought in 1959.

Foreign Trade Improves

Sweden's balance of trade improved in 1959, and though exports were still smaller than imports, the deficit was considerably less than in the previous year. Exports rose in volume in 1959 by about 6 per cent and imports by about 2 per cent. The most important feature of Sweden's exports was the rise in shipments of pulp and paper, iron and steel, machinery and particularly motor cars; exports of iron ore declined.

Sweden boosted substantially its sales to the dollar countries, chiefly the United States, and increased two-way trade with the Soviet Bloc.

Sweden's principal trading partners are West Germany, the United Kingdom and the United States. In 1959 Canadian exports to Sweden were valued at \$15 million, against \$11 million in 1958. The main imports from Canada are seeds, fish, steels, copper, polystyrene, fresh apples (when the season demands), canned fruits, lobster, aluminum,

nickel and asbestos. Imports into Canada from Sweden include chiefly products from the engineering industries and in 1959 were valued at \$18.3 million compared with \$14.1 million in 1958. Trade in 1959 between Canada and Sweden, at \$33.3 million, was the highest on record.

Because of the greatly improved balance of trade, Sweden had a surplus on the balance of payments for the first time in six years. Foreign exchange reserves rose during the year, and are equivalent to just under three months' imports at current monthly averages. A high percentage of Sweden's foreign exchange reserves are in gold and convertible currencies.

Sweden and EFTA

As a member of EFTA, Sweden is concerned with the failure so far to achieve a satisfactory association between the Six and EFTA. Sweden's concern is natural because somewhat more than 30 per cent of its exports go to Common Market countries and over 35 per cent to EFTA countries. At the same time Sweden has a substantial deficit in its trade with Common Market countries, and a trade surplus with EFTA countries. It is of prime importance that Swedish industry retain as much of its market as possible on a continuing basis within the Six, although it is becoming

IMPORTS INTO SWEDEN FROM PRINCIPAL SUPPLIERS

	West Germany	Britain	United States
	(millions of Swedish kronor)		
Foodstuffs	30.2	28.4	163.2
Tobacco and beverages	4.9	12.6	55.7
Raw materials	41.1	94.3	106.4
Mineral fuels and lubricants	127.7	303.3	102.9
Oils and fats	12.3	2.4	15.9
Chemicals	257.3	145.4	146.1
Manufactured goods	625.6	449.0	199.2
Machinery and vehicles	1,443.2	583.3	446.2
Miscellaneous manufactures	276.1	96.9	71.9
Other miscellaneous	0.1	0.2	0.4
Total	2,818.5	1,715.9	1,308.1

increasingly concerned with the rapid growth of foreign investment in the Common Market compared with EFTA countries.

Sweden's import market and its domestic industry will probably suffer little change, at least during the early stages of the EFTA tariff-reduction program. In the long run, however, it is clear that there will be more scope for imports into Sweden from other EFTA countries, at the expense of goods from Common Market countries and from suppliers outside of either EFTA or the Common Market.

Effect on Canadian Sales?

Canadian exports to Sweden, composed mostly of agricultural, raw or semi-manufactured materials, should suffer little if any discrimination as the result of EFTA. This, of course, would not apply to most finished manufactured goods.

The pattern of Canadian exports to Sweden has changed little in recent years. The main Canadian products that Sweden buys are materials that can be used in local industry. As Sweden's industry has expanded and its export trade (particularly in manufactured goods) has increased, it has become a larger market for Canadian materials than its size and population indicate.

From time to time there have been interesting spot sales of Canadian manufactured products that point up opportunities in fields where Canadians may have the special knowhow, design, or type of product Sweden needs because of similarities between the two countries. This might apply, for instance, to aircraft, some types of military equipment, or engineering services. It is mainly in these specialized products that better export opportunities lie.

SPAIN

For a report on Spain, see Foreign Trade, issue of June 18, 1960.

Switzerland

The Swiss stepped up production, exports and imports in '59 and expansion has continued into 1960. Increased Canadian sales doubtful at present; future trade tied up with changing tariff structure in EEC and EFTA.

S. G. MACDONALD, *Commercial Counsellor, Berne.*

SWITZERLAND, like other European industrial nations in 1959, swung out of the recession into a period of vigorous economic activity that continued well into 1960. The rise in industrial production, though circumscribed by acute labour shortages, was rapid. New highs were reached last year in nearly all sectors of the economy and development in most of them is continuing this year.

The volume of foreign trade has expanded steadily. Domestic consumption, exports, and construction (mainly housebuilding) have increased. In industry, a new trend toward capital expenditure became apparent towards the end of the year and has continued into 1960.

The acute labour shortage in practically all sectors has caused concern, because many plants have not been able to operate at full capacity. Some 370,000 foreign workers (about 7½ per cent of the Swiss population) were employed in the peak month of August 1959. Even during slack periods the number of foreign employees has been high, and this fact has had a striking impact on the economy. Despite the supply of foreign workers, which is not adequate for industrial needs in many fields, there is danger that existing technical capacities can no longer be used fully.

Many new financial opportunities arose during 1959 because of the general economic stimulation. There were numerous new stock and bond issues and a record turnover in securities. There was also a general liquidity of funds for commercial

and financial transactions, though a definite slowdown was felt in the latter part of 1959 because of the apparent saturation of new issues. This has continued in 1960, and financial authorities generally have taken a more conservative line than a year earlier.

Switzerland was one of the few countries that in 1959, despite the pressure of full or even under-employment and peaks of production, was able to achieve a drop in living costs. However, the trend in a number of fields seemed to be slightly the reverse in early 1960 and at the end of April there was an advance of more than 1.9 per cent compared with the corresponding date in 1959. Wholesale prices, which varied slightly during the year, closed with a small increase of 0.7 per cent at its end. Consumer prices also fluctuated, with higher rents and food costs in the latter months of '59. There was, however, a net over-all reduction at the end of the year of 0.6 per cent compared with the end of December 1958.

Foreign Trade Expands

Swiss foreign trade reflected the substantial rise in economic activity in 1959. The decline in imports that began in mid-1957 ended in the spring of 1959; since then the movement has been steadily forward. Imports, which in 1959 totalled Sfr. 8,268 million compared with Sfr. 7,335.2 million in 1958, almost reached the 1957 record of Sfr. 8,447.1 million.

SWISS TRADE, PRINCIPAL MARKETS AND SUPPLIERS

	Imports from		Exports to	
	1958	1959	1958	1959
	(millions of Swiss francs)			
West Germany	1,954.2	2,308.3	1,080.3	1,242.2
Italy	870.3	951.1	520.0	593.4
United States	836.7	874.7	657.6	814.5
France	756.7	931.5	494.0	500.9
Britain	413.3	617.1	372.0	414.2
Netherlands	362.2	388.2	240.9	286.3
Belgium	316.8	341.1	262.6	275.3
CANADA	170.2	130.6	144.3	151.8
Austria	152.8	175.7	201.9	219.5

Exports climbed to a peak of Sfr.7,274 million, compared with Sfr.6,648.8 million in 1958. Because prices of both imports and exports dipped during the year, the volume of foreign trade expanded even more than the figures indicate.

The big advance in imports stemmed mainly from mounting purchases of durable goods. According to the index of quantity, rated by value, total imports of manufactured products jumped by nearly 25 per cent, and of raw materials by 11 per cent. Of particular interest to Canada was the drop in imports of foodstuffs.

Each of the three major commodity groups shared in the export growth, with finished products leading with 90.3 per cent of total exports. Some 40 per cent of the increase, or about Sfr.210 million, was earned by the chemical and pharmaceutical industries. Textile exports also rose substantially and the industry, which had been depressed for almost two years, operated at full capacity. Machine tools and instruments suffered from a recession in the first quarter, but finished the year with bigger sales. Watch exports rose in quantity though not in value, and the buoyancy in this and in other main industries has continued into 1960. Among the main food-processing industries, cheese exports increased, though soup manufacturers lost some markets.

The growth in imports in 1959 resulted entirely from greater trade

with European markets which in turn boosted purchases from Switzerland. Expansion was most noticeable in trade with EEC countries. Among these, West Germany stands out as Switzerland's leading trading partner, more so in 1959 than ever before. The EEC last year supplied 60 per cent of Swiss imports and took 40 per cent of Swiss exports. Trade with EFTA countries also climbed in 1959, particularly with the United Kingdom, whose imports from Switzerland rose substantially. Overseas trade with the United States increased but there was a decided drop in purchases from Canada and a slight rise in sales to Canada. The accompanying table gives details on Switzerland's most important suppliers and customers.

Canadian Sales Fall

The slump in Swiss imports from Canada in 1959, both in volume and value, resulted almost entirely from smaller purchases of bread and durum wheat and of primary forms of aluminum. The drop in wheat sales last year followed the record Swiss crop in 1958. That year Canadian sales reached an all-time high and we supplied 97 per cent of total imports of wheat into Switzerland. The Swiss harvested an equally large crop in 1959. This, plus the freeing of the grain trade on January 1, 1960, will affect the volume of Canadian wheat exports to Switzerland this year. Although sales in the first quarter have held

up well, it is probable that shipments for the full year will decline. Offsetting to an important extent the two main reductions in 1959 (wheat and primary aluminum), there was a general increase in sales of a number of other commodities. Prospects for increased shipments from Canada in 1960 are based entirely on the competitive position of Canadian suppliers.

CANADIAN-SWISS TRADE

Exports to Switzerland

	1958	1959
	('000 Can.\$)	
Wheat	13,514.6	8,462.8
Aluminum (in primary forms)	10,471.2	3,832.5
Durum wheat	6,334.7	2,792.8
Copper rods, strips and sheets	1,710.8	2,128.5
Synthetic fibre, thread and yarn	1.5	1,275.7
Barley	249.8	976.5
Drugs and chemicals, n.o.p.	504.8	557.2
Asbestos milled fibres	573.7	542.4
Bookkeeping, calculating machines and parts	230.7	529.9
Synthetic resins, n.o.p.	31.7	522.0
Radioactive materials		381.0
Wood pulp, sulphate kraft bleached	363.3	339.6

Imports from Switzerland

	1958	1959
	('000 Can.\$)	
Watch-actions over one jewel	3,941.0	3,507.5
Aniline dyes, one pound and over	1,297.1	1,344.2
Medicinal preparations, dry	471.7	1,168.6
Watches over one jewel	1,254.8	1,014.5
All machinery n.o.p. and parts	530.7	992.8
All other drugs and chemicals n.o.p.	926.8	882.9
Switches, switchboards, and parts	1,461.1	682.0
Electric apparatus, n.o.p.	610.1	554.4
Watches, one or no jewel	451.4	519.3
Yarn cord fabric machinery and parts	228.8	475.4
Adzes, cleavers, hatchets, planes	227.0	430.9
Conveying equipment and parts	59.9	396.5

Among the hundreds of products exported from Canada to Switzerland in 1959, the main ones are shown in the accompanying tables drawn from DBS figures. The over-all drop in our exports to Switzerland, from Can.\$29,498,618 in 1958 to Can.\$26,009,622 in 1959, and imports from Switzerland, from Can.\$26,968,260 to Can.\$25,010,968, are illustrated largely by the products in these tables. Transshipment, times of shipment and arrival, and third-country handling account for the differences between the Canadian and Swiss statistics in this report. The comparatively close balance of trade shown by both sets of statistics, and in effect for several years, was generally maintained in 1959.

From EFTA, Where?

Switzerland as a market is at present in a state of some uncertainty. The EEC countries, especially Germany, have largely dominated the Swiss market for a number of years. The coming into force of the Treaty of Rome on January 1, 1959, and the tariff adjustments already made or planned under the Treaty; the implementation on July 1, 1960 of the first tariff reduction under the Treaty of Stockholm, whereby Switzerland became a member of EFTA, and the endeavours on many sides to achieve compatibility and a working relationship between the groups and between the groups themselves and third nations—all are creating serious problems for the Swiss industrial and commercial community. Some traditional sources of supply in the EEC group will undoubtedly be replaced by others in the EFTA group, and some sales to the former group will be reduced in favour of the latter, and vice versa.

The political and economic situation arising from the establishment of the trading groups has recently raised some doubts among the Swiss about membership in EFTA. The concern arises mainly from difficulties the two groups are having in

reaching a satisfactory agreement about reductions in tariffs and other trade barriers and their timing as they affect members of each group, members of the EEC in relation to members of EFTA and vice-versa, and third countries.

Business leaders are optimistic that workable arrangements for most sectors of industry can be made, though changes in production methods, plans, etc., will be neces-

sary. In some sectors, however, difficulties are anticipated for a few years. With the changing tariff picture, the position of third countries such as Canada as a trading partner of Switzerland is still obscure, except for essential goods. It is therefore important that Canadian exporters pay even greater attention to quality and price in future, if they are to increase or to maintain their sales to Switzerland. ●

West Germany

Industrial production and foreign trade expanded last year; foreign capital flowed into the country. Canadian sales down in 1959 but outlook good; coming tariff changes should not affect our principal exports to Germany.

J. A. STILES, *Commercial Counsellor, Bonn.*

WEST GERMANY is currently in the midst of a period of strong economic expansion. A decided business upswing in the past year was brought on by the continued building boom, increased investment in industry, and the steadily rising foreign demand for German products, particularly capital goods. The gross national product showed a real increase of 5 per cent in 1959 compared with 2.8 per cent in 1958. The outlook for 1960 is for a further increase of 5 per cent, provided that the boom can be kept under control and economic stability maintained.

Industrial production in the first four months of 1960 averaged 12 per cent above the level of a year ago. Practically all branches of industry registered advances, including steel and textiles, both of which experienced difficulties last year. The one important exception was the coal-mining industry which continues to be adversely affected by increasing competition from oil.

Serious economic problems have gone hand in hand with these favourable developments. The shortage of workers in Germany is giving concern and it is evident that the large labour reserves which contributed so much to postwar recovery are practically exhausted. At the end of March 1960, against 453,000 vacant jobs there were only 256,000 persons seeking work, or 1.3 per cent of the labour force. With this in mind, the Government has been intensifying its efforts to facilitate the employment of foreign workers, particularly from Spain and Italy.

During the past year, there have been numerous contract negotiations in which wage and salary earners demanded—and in most cases received—substantial pay increases. The metalworkers' union is currently seeking a 10 per cent wage increase for one million men in the steel and engineering industries and it appears certain that other claims will follow.



This German-made bus being loaded at a Hamburg dock is en route to an overseas customer. West Germany turned out 1.7 million motor vehicles last year and over 50 per cent of them were shipped to foreign markets.

Despite these pressures, the price levels in Germany have so far remained remarkably stable. But the existence of a potentially inflationary situation caused the Central Bank in the last few months to institute restrictive measures. The discount rate was raised from 2½ to 4 per cent and the obligatory minimum reserves of the commercial banks were increased several times. This latter action resulted in DM4,500 million being taken out of circulation between November 1959 and June 1, 1960.

The credit squeeze of the Central Bank has had the effect, however, of discouraging exports of private capital which the Government wishes to stimulate to offset the chronic German payments surplus. The commercial banks in many cases found it necessary to repatriate short-term funds from abroad to meet their minimum reserve requirements and to take advantage of the more attractive domestic money rates. The net result is that Germany's already high foreign exchange reserves are again rising; by the end of April they had reached DM25.3 billion, or 3.4 billion above the lowest level of last year. During the year Germany's restrictive

monetary policy was discussed in various international organizations and the opinion expressed that other measures than raising the discount rate might have been of more assistance to Germany and her foreign trade partners.

Foreign Trade Expanding

Germany's foreign trade showed further vigorous growth in 1959. Exports reached a new peak of DM41.2 billion, an increase of 11.3 per cent over 1958, and imports expanded by 15.1 per cent to reach DM35.8 billion. Germany's 1959 export surplus of DM5.4 billion was thus the second highest in the post-war years. Nearly half of last year's additional exports were in three industrial groups—chemicals, vehicles, and electrical engineering products. Chemical sales abroad rose 19 per cent over 1958, vehicles 16 per cent, and electrical engineering products 17 per cent. The granting of longer credit terms appears to have played an important part in the increase in exports of German capital goods, particularly to the developing countries. That this trend is likely to continue is indicated by the recent raising of the ceiling for Hermes Export Credit

Guarantees from DM9.5 to DM12 billion, and for investment guarantees and certain long-term export credits from DM2 to DM5 billion.

The growth in Germany's imports in 1959 is mainly the result of the rising business tempo here rather than the first tariff reduction of 10 per cent made on January 1, 1959, under the provisions of the Common Market Treaty. Germany had already reduced its tariffs by 25 per cent in 1957 and thus had very few tariff changes to make last year. But the psychological effect of the evolving Common Market has been important and appears to have spurred on Germany's Common Market partners to seek a better share of the market in anticipation of future developments. France, for example, was able to increase its exports to Germany in 1959 by 35 per cent and Italy by 29 per cent, compared with the general increase of 14 per cent for the combined Common Market countries.

Germany's imports of industrial finished goods are becoming more important. Last year's growth ratio for imports of such products was 22 per cent, compared with 14 per cent for foodstuffs and 6 per cent for raw materials and semi-finished

goods. In 1959 finished goods represented 30 per cent of total imports, compared with 27 per cent in 1958 and only 13 per cent in 1950. German imports of motor vehicles and steel sheets particularly have gained in importance.

EEC and EFTA

A noticeable effect of the European Common Market in the past year was the growing trend among foreign firms towards establishing branch plants in Germany or making licensing agreements with German companies. United States firms producing fully manufactured goods were particularly active in this way; the result was substantial new capital invested in German industry.

The decision at the end of 1959 by Britain, Sweden, Norway, Denmark, Austria, Portugal and Switzerland to set up among themselves a Free Trade Area (EFTA) on July 1, 1960, has been much discussed in Germany in recent months. Many fear that this move will split Europe into two rival trading blocs and there is general agreement in local government and business circles that such a development should somehow be avoided. Germany's exports to the EFTA countries and to the Common Market countries are approximately equal in value. It is therefore likely that, in the negotiations between the two groups later this year, Germany will be pressing strongly for a solution which will enable traditional trade patterns to be maintained and expanded, rather than restricted.

Meanwhile, Germany has agreed to the acceleration of the plan for the development of the Common Market which this year will involve a further 20 per cent internal tariff cut by the Six. The 25 per cent tariff reductions already made unilaterally in 1957 by Germany mean that, so far as the other Common Market countries are concerned, comparatively minor German tariff changes will be required this year. More serious from the Canadian point of view is the decision to move towards the adoption of the Common Mar-

ket external tariff by the end of 1960, a year earlier than originally planned. This tariff is largely based on the averaging of the January 1957 duties of the six Common Market countries, and the net effect for Germany is that the duties against many of the products from "third" countries must be raised.

Trade with Canada

Fortunately, the duties on many of the industrial raw materials that Canada supplies to Germany have been set at zero or reasonably low, so that the majority of our sales should not be adversely affected by this development. The alignment of national tariffs of the Six towards the common external tariff will not apply to agricultural products. The import of wheat and other grains of particular interest to Canada will be subject to special regulations, the details of which are still under discussion. German agricultural officials believe, however, that the demand for Canadian hard wheat will remain strong.

German exports to Canada in 1959 rose 20 per cent over 1958 to reach a record \$126.6 million. The growing strength of German industry in the last five years is reflected in the more than doubling of German exports to Canada in

GERMAN EXPORTS TO CANADA

	1955	1957	1958	1959
	(\$ million)			
Cars and parts	6.4	22.9	30.5	37.7
Other	49.2	74.7	75.4	88.9
Total	55.6	97.6	105.9	126.6

CANADIAN EXPORTS TO GERMANY

	1957	1958	1959
	(\$ million)		
Wheat	53.5	47.5	51.6
Non-ferrous metals	21.1	33.9	27.5
Iron ore	8.3	6.1	5.2
Asbestos	7.6	6.3	8.5
Oilseeds	3.0	3.4	0.5
Wood pulp	2.8	2.5	3.2
Aircraft and parts	11.1	66.7	3.9
Other	44.3	35.5	29.2
Totals	151.7	201.9	129.6

ket external tariff by the end of 1960, a year earlier than originally planned. This tariff is largely based on the averaging of the January 1957 duties of the six Common Market countries, and the net effect for Germany is that the duties against many of the products from "third" countries must be raised.

that period. The table (left) shows the rapid increase in shipments of German cars to Canada. Other important German exports to Canada have been machinery, rolling mill products, technical instruments, cameras and a wide range of other fully manufactured goods. Canadian exports to Germany declined from \$201.9 million in 1958 to \$129.6 million in 1959, largely because of the virtual completion of deliveries of an order for jet aircraft to Germany which in 1958 totalled \$66.7 million. In addition, there was some weakening in our sales of non-ferrous metals resulting from the general slackening in business in 1958 and the large existing stocks. Our sales of oilseeds were affected by competition from the more competitively priced soybeans.

As in previous years, Canadian exports to Germany in 1959 were concentrated in a comparatively narrow range of products. Some 83 per cent of the total was accounted for by wheat, wood pulp, asbestos, iron ore, aluminum, other non-ferrous metals, synthetic rubber, and polystyrene. In 1959 Germany made further progress in its liberalization of imports from the dollar area, but most of the products concerned were of relatively little interest to Canada or had already enjoyed substantial import quotas and thus did not affect our total sales volume to this market. The remaining import controls affecting Canada are largely in the agricultural field and there appears to be little likelihood of their removal in the near future.

Outlook

All economic indicators point to a continuance, at least through the coming year, of the present prosperity in Germany. For Canadian exporters this means an increased demand for many of the industrial raw materials that can be readily supplied from Canada—assuming that our prices, quality, and service are as competitive as they have been in the past. Nor should the increased possibilities for selling

finished goods in this market be overlooked as the standard of living here moves steadily upward. The recent and planned European integration moves will undoubtedly mean stiffer competition for Cana-

dian firms in the future. But it is important to remember that the details of these developments are still being worked out and may well be altered considerably as a result of international discussions. The

natural trading partnership between Canada and Germany gives reason to expect that mutually satisfactory German-Canadian trade arrangements will, in the long run, be developed. ●

Yugoslavia

Lack of foreign exchange and state-trading arrangements limit Canadian sales, but some machinery and equipment, raw materials, certain agricultural products should find market, as Yugoslav industry grows and agriculture adopts modern methods.

P. A. FREYSENG, *Assistant Commercial Secretary, Vienna.*

THE year 1959 was a good one for Yugoslavia. Official statements and statistics confirm that the targets set by state planners were achieved in many fields and the Five Year Plan, which ends in 1961, is somewhat ahead of schedule. The country functions under a system that combines some of the characteristics of free-market and of centrally planned economies. Production and trading enterprises, for example, are publicly owned and subject to overall planning, but they have a considerable amount of autonomy and may compete with one another to some degree.

Industrial Output Rises

The Yugoslav Institute of Economic Planning calculates the gross national product for 1959 at 5,488 billion dinars*, 16 per cent more than in the preceding year. Prime factors in this growth were an extremely good harvest and further increases in industrial output. Industry produced 2,458 billion dinars worth of goods in 1959—13 per cent more than in 1958 and 47 per cent more than in 1956. In

the manufacturing field, production of semi-finished materials increased in value by 15.9, capital goods by 16, and consumer goods by 12 per cent. In terms of physical volume, the chemical products, electrical apparatus, woodworking, metal machinery, food processing and shoe industries achieved the largest production increases. The iron and steel, building materials, textile, rubber and shipbuilding industries reported considerably smaller increases; the tobacco industry suffered a marked decline. As for minerals, copper and aluminum production increased by 14, oil by 18 and coal by 11 per cent. Despite the fact that electric-power production is said to have increased by 10 per cent, Yugoslav consumption is still outpacing new production, to the detriment of industrial expansion. The building industry too failed to keep pace with the heavy demands upon it.

Agriculture Prospers

In 1959 agriculture had an outstandingly successful year, the result of increased investment in fertilizers, improved seeds, greater mechanization and good weather. Record wheat, maize and sugar-beet crops were harvested—wheat 4.3 million tons, maize 7.0 million, and

sugar beets 2.5 million. The value of the 1959 crops was 24 per cent higher than in 1958. The Government has announced that as a result of these record harvests, imports of wheat, sugar and fats will be eliminated. Up to the present, agricultural surpluses (mainly wheat) from the United States have accounted for an important part of the visible trade deficit. Yugoslavia used to import approximately 700,000 to 800,000 tons of wheat annually from all sources. Now these imports will probably be eliminated.

Thanks to the spread of systematic fattening methods and the expansion and increased imports of pedigree stock, Yugoslavia's livestock production also rose in 1959. The country now has 5.0 million head of cattle, 5.7 million pigs, 11.2 million sheep, and 27.5 million poultry. This made possible the marketing of 540,000 tons of meat last year, some 7 per cent above 1958, according to Yugoslav sources.

Capital Investment

Among the reasons for the large increases in production in 1959 were the heavy rate of capital investment, the expansion of exports and, to a lesser extent, the rise in consumer spending. Capital investment totalled 700.5 billion dinars, considerably above the estimates in the 1958 plan and 156.1 billion more than last year. Some 31.2 per cent of the total 1959 investment was spent on manufacturing and mining, 18.7 on transportation, 16.0 on agriculture, and 13.7 on housing

*The official rate of exchange is 300 dinars to the U.S. dollar, and this is used in official Yugoslav statistics. However, the settlement rate at which Yugoslav importers buy United States dollars is 632 dinars to the dollar.

and public utilities. Yugoslavia is simultaneously erecting eight hydro-electric and six thermal-electric power plants, five large chemical plants (including a fertilizer plant), and at least eight sugar refineries. A new 500-ton steel plant was put into operation in August at Zenica. The first Yugoslav atomic reactor, using enriched uranium, went into operation late last year. Investment in new plants was directed to some extent to under-developed areas, particularly Macedonia and Montenegro.

Consumer Market Expanding

Yugoslavia presents a consumer market of some 18 million people, half of whom still are on the land, with a relatively low standard of living. The year 1959, however, saw a definite increase in consumer purchasing power with a consequent influence on both retail trade and imports. The total number employed increased by 7 per cent to 3.2 million and their wages rose by 23 per cent to 641.8 billion dinars. Farm income rose by 11 per cent to 200 billion dinars. This movement of income meant a vigorous growth in personal spending. Retail trade rose 15 per cent in value to 976.2 billion dinars. Despite these pressures, retail prices remained relatively steady. Despite, too, the potential rise in consumer spending power, the range of products remained relatively small. Meat consumption per capita rose from 21 kilograms in 1958 to 24 kilograms in 1959. In 1959 there were only 13 radio sets per 1,000 inhabitants.

Foreign Trade

Last year Yugoslavia's foreign trade reached a total value of 348.2 billion dinars, only about 3.0 per cent above 1958 but 45 per cent more than in 1956. Foreign trade is now carried on by some 500 different state-owned enterprises specializing in various fields and competing with one another. For example, there are some seven

state-owned trading firms importing chemicals only. There is no customs tariff as yet, though Yugoslavia is bound by its recent association with GATT to produce one. Instead, through a system of multiple exchange rates the Government is able to discourage undesired imports and to stimulate those it wishes to encourage. A coefficient is established for each type of commodity and the basic rate of exchange is multiplied by this coefficient to arrive at the buying and selling rates for foreign currencies in each export or import transaction.

The foreign exchange position in Yugoslavia presents a perennial problem, but there was some improvement last year. The commodity deficit reached 62.8 billion dinars and there was a favourable balance of 20.2 billion on non-commodity earnings. Over a period of three years, however, exports have been rising steadily and imports have been held level by government action.

Exports Analyzed

Exports in 1959 totalled 142.7 billion dinars in value, 8.1 per cent above the 1958 level and over double that of five years ago. Last year some 46 per cent of Yugoslavia's exports went to West European countries, over 30 per cent to Eastern Europe including the U.S.S.R., 15 per cent to Africa and Asia, 7 per cent to North America, and slightly over 1 per cent to Latin America. The notable trends were a considerable increase in shipments to Eastern European countries, the enhancement of exports to Asian and African countries (some financed on long-term credit), and a decline in export business with Western Europe. Last year the country's leading customers were Italy, the U.S.S.R., West Germany, the United Kingdom, Poland and the United States.

Three-quarters of Yugoslav exports were made up of industrial goods, particularly capital machinery, ships, minerals, leather goods, and finished foods; agricultural ex-

ports constituted somewhat over 20 per cent of the total and forestry products nearly 4 per cent. The noticeable trend was a sharp rise in industrial exports and an equally significant drop in agricultural shipments because of the poorer wheat and corn crops in 1958.

Import Trade

Imports remained at the same figure as in previous years, 205.5 billion dinars. Some 42 per cent of these came from Western Europe, 25 per cent from Eastern Europe, over 20 per cent from North America, nearly 10 per cent from Asia and Africa, and the remainder from Latin America and elsewhere. Imports from Eastern Europe fell last year but those from Western Europe and North America increased. The United States is the leading exporter to Yugoslavia, followed by West Germany, Italy, the U.S.S.R. and the United Kingdom.

Nearly 75 per cent of imports are made up of industrial products, such as chemicals, minerals, capital machinery, and finished foodstuffs; over 23 per cent of agricultural products, including agricultural raw materials; and approximately 2 per cent of forestry products. Last year imports of chemicals, particularly of fertilizers, increased sharply. Purchases of machinery and electrical apparatus declined. Nevertheless, machinery and transport equipment remained the largest single heavy items.

Canadian Trade

Canada exported \$2.6 million worth of goods to Yugoslavia in 1959, an increase of about \$2.4 million over 1958. This was mainly the result of fairly large purchases of aluminum; it made up nearly three-quarters of Canadian sales to Yugoslavia last year, despite the fact that there is a domestic aluminum industry producing some 20,000 tons of ingot a year. The future expansion of this industry, however, is hampered by the need for electricity, despite the fact that demand is growing. Other leading

Canadian exports to Yugoslavia were asbestos, hides, drugs and chemicals, and seed corn.

Yugoslav exports to Canada decreased in value in 1959 by approximately 30 per cent to \$565,000; the trade deficit vis-à-vis Canada in 1959 thus reached more than \$2 million, although in previous years there was often a trade surplus. Canadian imports from Yugoslavia included such products as dead burnt magnesium, plumber's brass, copper tubing, brooms and broom corn, spices, alcoholic drinks, leather goods, sporting goods, watches, wooden furniture, carpets and nails. Yugoslavia's expanding production may well include additional products of interest to Canadian importers in the future. A Commercial Secretary was appointed to the Yugoslav Embassy in Ottawa in 1959 and a branch of INTERPROGRESS, a large Yugoslav trading enterprise, was opened in Montreal early this year.

Outlook for 1960

The Economic Plan of the Government of Yugoslavia for 1960 gives the key to conditions in the next few months. The gross national product is expected to rise by some 12 per cent and industrial production should increase by 14 per cent. Considerable increases in the electric power, coal, oil, steel, copper, aluminum, artificial fertilizer, shipping, cement, tractor and timber industries are planned. Turning to consumer goods, production is expected to rise in the radio, textile, shoe and sugar industries. Agricultural output is to increase by 1.3 per cent, the cereals harvest is expected to produce 4.3 million tons of wheat as in 1959, but corn will decrease somewhat. Livestock production will go up 20 per cent and meat output 30 per cent.

Exports worth 175.2 billion dinars are expected, some 20 per cent above 1959, with emphasis on agricultural products. Imports as a whole will rise slightly, but with particular emphasis on the raw materials sector, where a rise of 22

per cent is foreseen. Imports of materials and equipment for agriculture will expand by some 35 per cent. Substantial savings on food imports (particularly the elimination of wheat, fats, and sugar from the import list) will offset increases in other imports and the trade deficit should be considerably smaller.

Gross investment is set at 878.0 billion dinars, up 7.7 per cent. Investment in capital equipment will be greatest in the industrial, agricultural and transportation fields. There will be a continued concentration on underdeveloped areas.

Opportunities for Canada

Although Yugoslavia's economic position appears to be improving, trade with that country continues to be handicapped by a lack of foreign exchange. Export opportunities for Canadians are limited because some imports are made under economic aid from abroad and others under bilateral trading arrangements with other state-trading countries. Despite these limitations, Yugoslavia offers a market for some Canadian products, particularly agricultural machinery and equipment, seeds, and pedigreed livestock and poultry. Raw materials such as minerals and metals are of interest to its growing industry. Machinery and equipment (particularly for the forest products, metal and chemical industries) may also find markets. Chemicals are of less interest and consumer goods have considerably less chance, not only because the standard of living in Yugoslavia is still relatively low but also because competition from Western Europe is stiff.

To sell in Yugoslavia, Canadian firms might consider a visit to this market in order to meet officials of importing enterprises as well as the end-users of their particular product. For capital goods at least, Canadian firms should be prepared to discuss credit terms. In addition, licensing arrangements for manufacturing certain products might be considered. Canadian firms should

quote prices f.o.b. Canadian port, c.i.f. North European port and c.i.f. Rijeka or Trieste, if possible. This is because the Yugoslavs prefer to arrange their own transportation in order to save dollars. Starting last April, there is a direct shipping connection in summer between the Great Lakes and Rijeka, the principal port of Yugoslavia.

The Commercial Counsellor and the Assistant Commercial Secretary at the Canadian Embassy in Vienna, who make regular visits to principal commercial centres in Yugoslavia, will be pleased to advise Canadian businessmen about trade opportunities in that country and how to capitalize on them.

Data for Exporters

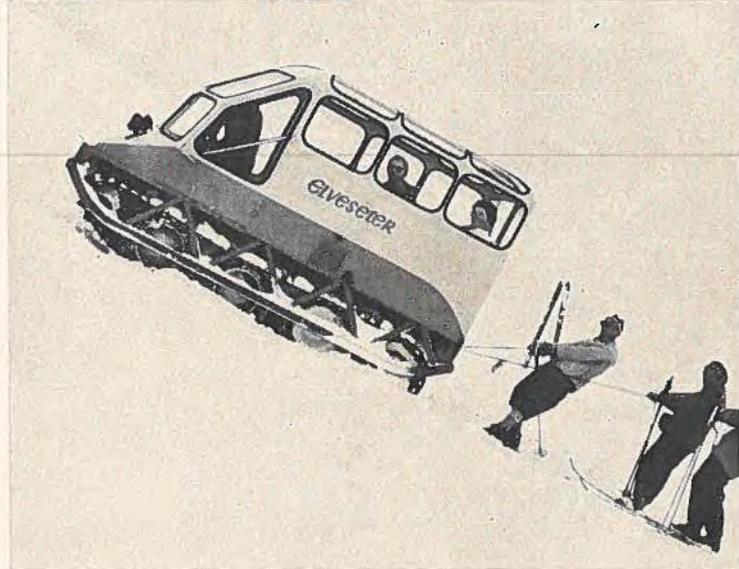
The International Trade Relations Branch of the Department of Trade and Commerce has prepared bulletins covering shipping documents and customs regulations of the following countries: Argentina, Australia, Austria, Belgian Congo, Belgium, Brazil, Chile, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, East Africa, Egypt, El Salvador, Finland, France, West Germany, Ghana, Greece, Guatemala, Haiti, Honduras, Israel, Italy, Japan, Mauritius, Mexico, Netherlands, Netherlands Antilles, New Zealand, Nicaragua, Norway, Panama, Peru, Portugal, Spain, Surinam, Sweden, Switzerland, United States, and Venezuela. The United Kingdom certificate of origin requirements and other conditions under which Imperial Preference is granted are covered by Notice No. 27 A issued by the United Kingdom Commissioner of Customs and Excise.

Other pamphlets issued by the Branch include "Requirements for Shipping Documents in Latin America" and "Import Control Regulations and Tariff Treatment of Canadian Goods", both brief summaries in tabular form, and an outline of "Tariff Preferences for Canadian Goods Abroad." For copies of any of these pamphlets, readers should write directly to the Branch. Data on other countries will be compiled from time to time and added to the list.

In Belgium—The chef himself prepares these Canadian lobsters for gourmets eating at the famous restaurant in the Kursaal d'Ostende, one of Belgium's best known entertainment centres.



In Norway—From one skiing nation to another: a Canadian muskeg tractor carries (and tows) Norwegian skiers up the slopes. The tractor is equally at home in marsh or muskeg.



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 France—This picture taken in a warehouse at the port of Le Havre shows French stevedores, with their distinctive berets, unloading bags of asbestos recently arrived from Canada.



In West Germany—The Canadian Consul, second from left, examines Canadian apples displayed for prospective buyers in the pre-auction room of a fruit-unloading shed at Hamburg.

European Trading Arrangements

A review of developments within the European Economic Community in the past twelve months, of the birth and progress of the European Free Trade Association, and of the proposals for a remodelled OEEC.

WILFRID LAVOIE, *International Trade Relations Branch.*

THE emergence of regional trading arrangements has become of increasing significance in Western Europe. The European Economic Community has proceeded rapidly towards the implementation of the Rome Treaty and its acceleration has been approved by the Council of Ministers of the EEC. On November 20, 1959, a new Convention grouping seven European countries in a Free Trade Association was signed in Stockholm; it came into force on May 3, 1960, and calls for the first internal tariff cut on July 1. Simultaneously, an attempt is being made to channel these arrangements in an outward looking direction. In effect, a new initiative has been launched to strengthen and reshape the arrangements for European economic co-operation to reflect changed economic conditions. This is expected to lead to a new organization for economic co-operation and development in Europe, with Canada and the United States as full members. The following notes review these developments as they may affect Canadian interests generally and in particular the terms of access for Canadian exports to our major markets in Western Europe.

EUROPEAN ECONOMIC COMMUNITY

The Community of Belgium, the Netherlands, Luxembourg, France, Germany and Italy is proceeding rapidly with the setting up of a Common Market of some 165 million people, with a common tariff

and common economic policies towards the outside world. These arrangements are to be implemented over a period of some twelve years. (For details of the arrangements, see article in *Foreign Trade*, June 22, 1957.) The first step in the elimination of tariffs and quantitative restrictions on trade among the EEC countries was taken on January 1, 1959. The second step in the lowering of tariffs within the area is scheduled for July 1 of this year, and the second stage in the reduction of quantitative restrictions between member states was taken on January 1, 1960. The benefits of quota increases were extended in large measure to third countries. The Community institutions have adhered fairly closely to their planning, not only in the dismantling of internal trade barriers but also in the formulation of their future common policies. The Ministers have approved a customs tariff for imports into the Community. The European Commission has submitted proposals for a common agricultural policy to the members and institutions of the Community for examination and approval. The European Parliament is preparing proposals for its own election by direct universal suffrage. It has also been proposed that in two years' time the three executives of the Common Market, Euratom and the European Coal and Steel Community be replaced by a single executive. Finally, because of the high level of economic activity in the Community and in answer to growing internal pressures to speed

up the process of integration, the Council of Ministers of the EEC at its meeting in Luxembourg on May 12, 1960, reached important decisions on acceleration.

Acceleration Arranged

The main significance of the decisions is that by the end of 1961 internal tariffs among the Six will have decreased by 50 per cent, all quantitative restrictions will have been abolished on industrial products originating within the area, and the first step in the adjustment of national tariffs towards the level of the common tariff will have taken place one year before the date scheduled in the Treaty time-table.

The reader will recall that on January 1, 1959, the internal tariffs of the Six were reduced by 10 per cent. The Council has agreed that the second internal tariff reduction among member countries—scheduled for July 1 this year—will be 20 per cent instead of 10 per cent as envisaged under the Treaty; the implementation of the additional 10 per cent may be postponed until the end of the year. A further acceleration is also planned for December 31, 1961, (20 per cent instead of 10 per cent) but subject to a decision by the Council before July 1961. Assuming that the accelerated cuts are made as scheduled, the Common Market countries will have reduced tariffs among themselves by 50 per cent in the first four years of the agreement instead of by 30 per cent as the Treaty provides. In the agricultural field there are also plans for

acceleration but these relate only to 1960 and are somewhat less extensive.

As for the common tariff, the Ministers have agreed to speed up the movement of national tariffs towards the level of the Common Market tariff by one year—that is, from December 31, 1961, to December 31, 1960. (These provisions for acceleration will not apply to certain agricultural products nor to certain German tariff items.) Although this first alignment will involve some decreases in rates of individual tariffs which are at present above the proposed common tariff, it will also involve adjustments upwards of the national tariff rates of the low-tariff countries of the Six—Benelux and, to a lesser extent, Germany—which absorb about 70 per cent of our exports to the EEC.

The adjustment in acceleration outlined above will be made on the basis of the proposed tariff reduced by 20 per cent. The Commission may, however, decide that reductions shall not be applied to products on List "G" considered "sensitive" by a particular member country.

The Ministers also decided that, as with the first internal reduction on January 1959, the second reduction of July 1 may also be extended to outside countries on a most-favoured-nation basis, provided there is no encroachment on the established common tariff and subject to reciprocity. Similarly, the consolidation in whole or in part of the reduction of the common tariff by 20 per cent will be made at the Tariff Conference, provided reciprocity is forthcoming from third countries. Further, in a declaration of intention concerning its foreign relations, the Council of Ministers indicated that it was prepared to conduct active negotiations with the group of states of the Paris Trade Committee in the context of the principles of the GATT. In particular, eventual negotiations with the Seven should be directed towards the maintenance and im-

provement of the present trade relations between the Six and the Seven. They recalled their decision of November 24, 1959, in which they proposed the creation of a Contact Committee which would keep under consideration trade developments among European countries.

Rome Treaty in GATT

The provisions of the Rome Treaty are under continuing examination in the GATT. To be consistent with GATT, the common tariff and other arrangements of the Common Market must not create new barriers to the trade of outside countries and any impairment of the present terms of access bound under the GATT must be compensated. However, as the details of the main provisions of the Rome Treaty were not expected to be available for some time, it was agreed to set aside the legal issues for the time being and to direct attention to specific problems that might arise out of the Rome Treaty and affect the trade of third countries. In that context, detailed discussions were held last December on aluminum, lead and zinc and the effects of the association of the overseas territories with the Community on international trade in these commodities. Canada entered actively into this work with a view to safeguarding Canadian trade interests.

Further, the common tariff, which constitutes the major aspect of the new Community for the trade of the outside world, has now been worked out and will be subject to renegotiation with the member states of the EEC during the first phase of the Tariff Conference next September. In March 1960 the EEC countries approved the rates of their proposed Common Market tariff, including those for the products enumerated in List "G". In this latter instance, the Ministers provided also for the possibility of tariff quotas at free or reduced duties, in particular for wood pulp, some ferro-alloys, aluminum ingot

and scrap, magnesium, and lead and zinc metal.

The EEC has indicated its intention to take an active part in the second phase of the Tariff Conference beginning January 1961 which will be taken up with negotiations among the Contracting Parties for new concessions—including concessions in its common external tariff. An important aspect of this Conference is related to the existence of the EEC and EFTA in Europe and the problems that will arise as the internal tariffs of each group are eliminated. To the extent that the tariffs of the Six and Seven are reduced at the Tariff Conference, the difficulties between the two groups will be eased. A development along these lines would also benefit third countries because the tariff reductions will be extended on an m.f.n. basis.

At the end of 1959, the European Commission submitted its first proposals for a common agricultural policy to the institutions of the Community for their comments. It is expected that the final proposals will be known by the end of this year and will be submitted to the GATT countries for their examination before approval by the member countries and adoption by the institutions of the Community. These proposals envisage the continuation of protective trading arrangements in agricultural products within the Community (including the use of centralized marketing arrangements for some products) and the imposition of import levies to protect the European agricultural economy. Many quarters both inside and outside the Community have expressed serious concern and it remains to be seen how protective the arrangements to be adopted ultimately will be.

Association with the Six

Another aspect of the activities of the Community of special interest to Canada is the probable association of Greece, Turkey, the Netherlands Antilles and Tunisia with the Community. At the begin-

ning of the year, the Community reaffirmed its readiness to start negotiations on the association of Greece and Turkey and agreed on the procedures that should guide the negotiations. Similarly, the Commission has begun a study of the problem of associating the Netherlands Antilles with the Community and procedures are expected to be agreed on shortly. Exploratory talks between Tunisia and the Commission, in agreement with member countries, opened in June 1959 to examine possible relations between Tunisia and the Community, taking into account GATT rules.

As for the associated overseas territories of the Community (those of France, Belgium, Italy and the Netherlands), a European Development Fund was set up to promote both the social and economic development of these territories. Total spending by the Fund over a five-year period is expected to exceed \$581 million. The assistance granted to date totals approximately \$69 million.

Formal Relations Established

In April 1960, Canada established formal relations with the Community by accrediting the Canadian Ambassador to Belgium and Luxembourg as the Head of the Canadian Mission to the European Economic Community, as well as to Euratom and the European Coal and Steel Community. At the beginning of February, 13 countries had accredited representatives to the EEC: the United States, Canada, Greece, Israel, Denmark, Japan, Sweden, Switzerland, the United Kingdom, Norway, Ireland, Austria and Portugal.

EUROPEAN FREE TRADE ASSOCIATION

The EFTA group—which includes the United Kingdom, Austria, Denmark, Norway, Portugal, Sweden and Switzerland—ratified a Convention for a free trade area among themselves in Stockholm on May 3, 1960. The decision to estab-

lish a Free Trade Association followed the breakdown of negotiations for a Europe-wide industrial free trade area at the end of 1958. Negotiations were initiated among the Seven in March 1959 and on November 20 a Convention establishing the Association was signed in Stockholm. Geneva has been chosen for its headquarters and a small secretariat is being set up to carry on the administration of the Stockholm Convention.

The Convention for the European Free Trade Association provides for the progressive achievement of free trade among the seven countries through the removal of tariffs and other trade barriers over a period of ten years. The first 20 per cent tariff cut among themselves is scheduled for July 1. As this timetable has been designed to facilitate the re-opening of negotiations with the EEC at any time, the EFTA countries have initiated a study examining the acceleration of their time-table to keep in step with the EEC. Unlike the EEC, there is to be no common tariff around the EFTA and, subject to certain provisions for consultation, each country will be free to maintain and to alter its own tariff and to pursue a generally independent commercial policy. The Seven are not aiming at complete economic integration. Non-European overseas territories of the member countries are not included in the arrangement. Most agricultural and some fisheries products are excluded from the application of the general program for the progressive elimination of tariffs and quotas within the Association, and the conditions of trade in these products are to be the subject of bilateral agreements among signatories to the Convention. A number of bilateral agreements have already been concluded between member countries to "facilitate" trade in agricultural and fisheries products.

Convention in GATT

As with the Rome Treaty, the Contracting Parties to the GATT made a detailed examination of the

Stockholm Convention in the light of the relevant GATT provisions during their 16th Session in May. The examination was not completed, however; some questions remain open for further discussion at the 17th Session in October. The first examination focussed mainly on arrangements for agricultural trade, on the use of quantitative restrictions, and the implications of the British and Portuguese preferential tariff systems. The Contracting Parties wished to satisfy themselves that the Association would conform to GATT criteria for the establishment of a free trade area. As with the Rome Treaty, Canada felt that it was important to ensure that these arrangements would not involve new discrimination inconsistent with the provisions of the General Agreement and that her interests in the United Kingdom market and the other EFTA markets should be safeguarded to the fullest possible extent.

Recent Decisions

The Ministers of the seven countries of the European Free Trade Association met in Vienna in March 1960 and in Lisbon in May to discuss questions connected with the implementation of the Convention. They reaffirmed in particular their determination to promote an economically united Europe by removing trade barriers between the European countries and to pursue liberal commercial relations with other countries. In Lisbon, the Ministers added that the EEC and EFTA could reach agreement while "safeguarding the integrity" of the two groups.

On tariff matters, they indicated again that they were prepared to discuss extending to the Six and to other countries on a most-favoured-nation basis the internal tariff cuts they are due to make on July 1, to the extent that the Six are prepared to offer reciprocity. The Ministers suggested that the consolidation of this extension could

then be considered in the light of the results of the Tariff Conference in which the member states of EFTA intend to participate actively.

OEEC RE-ORGANIZATION

The economic meeting which was convened in Paris last January by the Heads of Government of the United States, the United Kingdom, France and Germany initiated a program of work which is now being carried out in three groups. At that time, the twenty participating governments (among them Canada and the United States) recognized that the economic recovery of Western Europe had largely been completed and that the industrialized nations of the Free World could devote an increasing amount of their energies to the new and important tasks of furthering the interests of the less developed areas and pursuing trade policies directed towards maintenance of harmonious international relations. They therefore reached agreement on matters of great importance to future economic co-operation in the Free World.

It was decided to work together for the establishment of a remodelled OEEC, of which Canada and the United States could be full rather than associate members. The OEEC was set up in 1947 to ensure the most effective use of U.S. economic aid to Europe and to promote postwar recovery through European economic co-operation. Canada and the United States became associate members of the OEEC in 1950, reflecting the contribution that both made to European recovery and their interest in their relations with Western Europe. The intergovernmental meeting in January appointed four experts to examine the problems of OEEC reorganization. The report from this Group of Four was considered at the Paris meeting on organization on May 24-25. A working party was set up with the task of drawing up a draft Convention in the light of the Group's report and of other

proposals submitted by member countries. This working group is to report by July 10, before a proposed Ministerial Conference towards the end of July.

Trade and Aid

The January meeting also set up special committees to deal with the pressing problems of European trade and aid to the less developed countries. The purpose of the trade committee embracing twenty governments (including Canada) is to examine, as a matter of priority, the problems of commercial relations between the Six and the Seven with due regard to the commercial existence of third countries and the main objectives of the GATT. The establishment of the two regional trading blocs in Western Europe has created special problems in commercial relations between the groups themselves and vis-à-vis outside countries, with effects running far beyond the economic field. Canada stressed to the members of the Committee that, however grave these problems, solutions should not be based on economic action that would discriminate against outside countries. Third countries should

share in the benefits in terms of reasonable access to the expanding European markets which are expected to result from the regional arrangements. A meeting of the Trade Committee was scheduled for early June in Europe to discuss these problems, including the tariff measures of July 1.

In the field of aid, a social development assistance group of eight countries, including Canada, was set up to promote co-operation in aid to underdeveloped areas. The first meeting of the group took place in Washington earlier this year and a further one is to be held in Bonn early in July. The members pool their experience and knowhow on aid programs and consult with the International Bank and other lending institutions about effective co-ordination of aid to the less developed areas.

The significant developments described in this report have an important bearing on Canadian trade and economic relations with Europe. How these arrangements evolve and their implications in practice for the trade and commercial relations of Canada and other outside countries bear careful watching. ●

Tours of Territory

C. G. BULLIS, Assistant Trade Commissioner in Kingston, Jamaica, will visit Belize, British Honduras, from September 13-20.

H. E. CAMPBELL, Trade Commissioner in Kingston, Jamaica, will visit Nassau, Bahamas, from July 3-9.

P. A. FREYSENG, Assistant Commercial Secretary in Vienna, Austria, will visit Prague, Czechoslovakia, from July 11-14.

R. F. RENWICK, Commercial Secretary in Port-of-Spain, Trinidad, will visit Antigua and St. Kitts from July 8-12.

R. K. THOMSON, Commercial Counsellor in Vienna, Austria, will visit Belgrade, Zagreb and Ljubljana in Yugoslavia from July 18-29.

Businessmen who would like these officers to undertake assignments should get in touch with them at their posts as soon as possible. Write to Mr. Bullis and Mr. Campbell at Kingston, Mr. Freyseng and Mr. Thomson at Vienna and Mr. Renwick at Port-of-Spain.

Import Liberalization in Europe

European Division, International Trade Relations Branch.

THE vigorous economic revival has led to the ending of balance-of-payments problems for several West European nations and to a substantial decrease in these problems for most others. This in turn has resulted in a return to external currency convertibility and the progressive elimination of discriminatory import restrictions against the dollar countries. The major exception to the liberalizing trend has been in the agricultural field where a number of commodities, many of interest to Canada, remain under import control.

A further development of great portent is the emergence of regional groupings of many of the countries of Western Europe into exclusive organizations—the European Free Trade Area (EFTA) or the Outer Seven (which includes the United Kingdom), and the European Economic Community of the Inner Six. These groups, following policies which favour intra-member trade, established a new pattern in the Western European trade picture, the ramifications of which are not yet clear.

The following paragraphs summarize the progress that individual countries in Western Europe have made in removing import restrictions. (For the reader's convenience, countries are listed in alphabetical order rather than according to the regional groupings, EEC and EFTA.)

AUSTRIA

Austria has taken several steps in extending its liberalization list for imports from dollar countries. Indications are that the remaining discrimination between imports from the dollar area and the OEEC countries may soon be removed. So far discrimination between imports from the OEEC and dollar countries in the industrial sector has been eliminated, except for certain textiles—licences for these from Canadian sources are issued liberally. A wide range of agricultural commodities is permitted entry from the OEEC countries but their import from the dollar area is restricted. All bread grains and food grains are imported under state-trading procedures and therefore remain under import control.

BENELUX (*The Belgium-Luxembourg-Netherlands Economic Union*)

Under a common import policy, Benelux has liberalized most of its imports from OEEC countries and this liberalization has been extended to include Canada and the United States.

Two common Benelux import quota lists are in effect—List 1, applicable to Canada and most other

countries, and List 2, which only applies to EEC countries. Licences for the import from third countries of commodities included in List 2 are issued only as internal market conditions require.

BELGIUM-LUXEMBOURG

Although import licences are required for a fairly long list of imports into Belgium and Luxembourg, these are granted freely for most imports. Restrictions apply chiefly to perishable agricultural products but also to some industrial goods. Generally speaking, the same treatment is accorded to dollar and to Western European countries, except for some quotas that are provided for EEC countries.

DENMARK

On March 1, 1960, Denmark removed a wide range of goods from its restricted import list. As a result of this step, discrimination against dollar imports has been eliminated. Commodities remaining under licence may be imported from any source. Among the items still requiring an import licence are a certain number of agricultural and a few industrial products of interest to Canada.

FINLAND

Effective January 1, 1960, Finland placed imports from Canada and the United States on the same basis as those from OEEC countries. As a result, the list of goods that may be imported from dollar countries free from import licences has been extended. Global import quotas available to the OEEC countries are similarly made fully open to Canada and the United States. The free list covers 82 per cent of Finnish imports. Certain products of interest to Canada—including grains, flour and outboard motors—remain under restriction from all sources.

FRANCE

France began its import liberalization program at the beginning of 1959 and extended its list of freed commodities to the dollar countries in September, November and December of last year and again in April 1960. Only a relatively small proportion of French imports remains subject to restrictions.

Discrimination in favour of OEEC countries against the dollar countries has been progressively reduced and now applies to only 24 items. Discriminatory restrictions in the industrial sector are to be removed not later than November 1961.

GERMANY

On January 1, 1960, Germany took the most recent of several steps in removing restrictions from imports from dollar countries. Under a three-year GATT waiver accorded to Germany in 1959, certain products may remain under import restriction but others are to be liberalized on specified dates. Commodities under control are largely agricultural. A number of industrial items of interest to Canada, including aluminum and synthetic rubber, are scheduled to be liberalized on July 1, 1960.

Licences for most of the restricted agricultural products of interest to Canada have been granted relatively freely. However, there is some discrimination in favour of certain agricultural commodities from countries with which Germany has bilateral trading agreements.

GREECE

For most imports into Greece, import permits are granted freely, provided the necessary foreign exchange is available. However, import restrictions apply to certain luxury goods and also to agricultural products of importance to Canada, such as wheat, wheat flour and seed potatoes.

In April 1959 Greece introduced a system of quotas for imports that applies to all countries of the European Monetary Agreement (EMA), Canada, the United States, and other nations which have not signed bilateral trading agreements with Greece. The quotas cover a number of commodities of interest to Canada, including wood pulp, newsprint and lumber.

IRELAND

The following goods may be imported into the Republic of Ireland from the dollar area without reference to exchange control: cereals and cereal products, animal feedingstuffs, animal and vegetable oils and fats, oilseeds, oil nuts, seeds for sowing, raw cotton, yarns, fibres, leather, hides, skins and timber.

Any other goods (except precious metals, precious stones and goods containing a precious metal or a precious stone) may be imported freely up to £250 in respect of any particular commodity in any period of three months. If the Irish importer wishes to exceed this amount, he must seek prior authority from the Foreign Exchange Control Authority.

ITALY

On January 11, 1960, Italy again liberalized dollar imports. The latest measure affected about 200 products. The Italian authorities have announced that further liberalization measures are contemplated; these would bring the provisions for imports from the dollar area closer to the very small number of restrictions in force for Western European countries. At present the

discrepancy between liberalization applicable to dollar and to Western European countries is fairly large.

Products of interest to Canada still under import control from the dollar area but liberalized from the OEEC countries include rapeseed, seed potatoes, canned fruits and vegetables, aluminum, stainless steel, polystyrene, polyethylene and various organic chemicals. Wheat is under import control from all sources.

THE NETHERLANDS

Since the beginning of 1960, the Netherlands has kept only 73 commodities under import control. The major portion of this list consists of agricultural products and it has been reduced as conditions permitted. A small number of commodities are to be removed from control not later than December 31, 1960. As from April 1959 there has been no discrimination between imports into the Netherlands from the OEEC countries and the dollar area.

NORWAY

Norway has made considerable progress in dismantling restrictions against both the dollar and OEEC countries. With the exception of automobiles, the import of which from all sources will be liberalized on October 1, 1960, imports from the dollar area are on the same basis as those from the OEEC countries.

Imports into Norway are classified as follows:

Free imports—amounting to an estimated 69 per cent of all imports in 1959.

Global quotas—Goods are quantitatively controlled but may be imported from the OEEC countries, the dollar area, or certain other countries, at the option of the importer.

State trading—Most grain foodstuffs may only be imported by the state grain corporation. Certain other products—including alcoholic beverages, fishing gear, sugar and coffee and all medical and pharmaceutical goods—are under import control from all sources and are imported under state-trading arrangements.

A wide range of agricultural commodities, particularly of the types produced in Norway, are subject to import licensing. Canadian industrial raw materials, especially non-ferrous metals and ores, which bulk large in our exports to Norway, are largely included among the free imports.

PORTUGAL

On January 10, 1960, a Portuguese decree extended the OEEC liberalization list to embrace Canada and the United States. This move, by which 90 per cent of all imports into Portugal from OEEC countries are liberalized, provides the same treatment for imports from Canada and the United States. The only items not so liberalized from the dollar countries include certain oils and animal fats; cotton and certain manufactures of cotton; rice; cereals, including grains

for breadmaking; dried beans; maize; fruit, fresh and dried; butter and hard cheese. A wide range of goods still remains under import control from all sources.

SPAIN

On April 1, 1960, Spain announced an extension of its list of liberalized imports from Western Europe, Canada and the United States. This follows the liberalization procedures adopted on Spain's accession to the OEEC in July 1959. Some other imports are admitted under global quotas applicable to the same countries. By the beginning of 1960 it was estimated that only 10 per cent of Spain's import trade was being conducted under bilateral trading arrangements. A certain amount of importing is carried on under monopoly state-trading arrangements.

SWEDEN

On April 1, 1960, the free listing applicable to imports from the OEEC countries was extended to imports from the dollar area, with the exception of a

limited number of agricultural commodities. Among the few non-agricultural products subject to licensing from all sources are automobiles and parts for assembly, although licences for these are in practice freely granted. Of the agricultural products still under import control from the dollar area, a number are of interest to Canada.

SWITZERLAND

Unlike most nations of Western Europe, Switzerland has not experienced serious balance-of-payments problems in the postwar years and has not introduced discriminatory import restrictions against the dollar area. Although import licences are required for a wide range of imports, restrictions are enforced only in the agricultural sector. Licences for other than agricultural products are freely granted. Import controls impinge most heavily on agricultural commodities of a type produced in Switzerland. Certain products, such as butter and powdered milk, may only be imported by specified public institutions. ●



Burma

VALUATION FOR DUTY PURPOSES AMENDED

—The Burmese Government has amended the basis of valuation for assessment of Customs import duty on 58 items, effective from May 13, 1960. The amendment provides for the assessment of import duty on the specified commodities at the market value rather than the c.i.f. value, as formerly. Imports of these items by the Defence Services Institute, the Joint Venture Corporations, Government Boards and Government Corporations are exempted from this requirement. That is, such imports will continue to be assessed import duty on the c.i.f. value of the goods. The amendment is authorized under a term of the Sea Customs Act which provides that the value for assessment of Customs duty may be changed from c.i.f. to market value, or vice versa.

Included in the schedule of items affected by this amendment are: wheat flour, dry fish, malted milk, apples, tinned fruits, jams, sauces, torchlight batteries,

Trade and Tariff Regulations

tires and tubes, ready-mixed paints, linseed oil, car batteries, lubricating oil, car polishes, lanterns, burner stoves, thermos flasks, nails, galvanized iron sheets, ink, toilet preparations.

Iran

MARKING REGULATION ANNOUNCED—The Government of Iran announced on May 26, 1960, new regulations concerning the marking of merchandise in Iran. The notice, issued by the Ministry of Justice, provides that local and foreign laboratories and factories situated in Iran, branches and agencies of trading firms and factories, and importers and manufacturers are required, prior to release of their goods from the warehouse, to affix a label clearly showing certain particulars. Information to be given on the label includes: (1) commercial name and address of the manufacturer, stating the country of origin; (2) registration number of the trade mark in Iran; (3) number

and date of permit from Ministry of Health authorizing manufacture and marketing of the product in Iran.

Products subject to compulsory registration of trademarks in Iran are pharmaceutical specialties intended for medical and veterinary purposes, foodstuffs sold in containers, beverages, mineral water, syrups, juices and extracts, toilet and beauty articles and accessories.

2. Electrode paste used in the production of ferromanganese.

Refund of duty on:

1. Imitation kraft paper for the manufacture of paper bags for export.
2. Hydrogen peroxide and "Santobrite" for the manufacture of bone glue for export.
3. Fur "plates" for processing or further processing for export.

South Africa

REPRESENTATIONS RESPECTING THE TARIFF—The South African Board of Trade announced recently that it has received the following representations respecting the tariff:

Rebate of duty on:

1. Reinforcing wire (innercore wire), double rivets (or printed pins), pins (or single rivets) and screws, all for use in the manufacture of optical frames and sunglass frames.

Canadian firms exporting these goods to South Africa may wish to have their views on these tariff inquiries placed before the Tariff Board. The most effective method of doing so is for the Canadian exporter to have his South African agents act on his behalf. Action should be taken as soon as possible because tariff inquiries normally begin in South Africa soon after the announcements are made.

Trade Commissioners on Tour



A. P. Bissonnet



B. C. Butler



R. E. Gravel



B. A. MacDonald



K. Nyenhuis

The following officers of the Trade Commissioner Service are undertaking tours in Canada. Their itineraries are:

A. P. BISSONNET, Commercial Counsellor in Stockholm, Sweden:

Montreal—July 4-8

B. C. BUTLER, Minister (Commercial) in London, England:

Ottawa—July 4-15

R. E. GRAVEL, Commercial Counsellor in Caracas, Venezuela:

Vancouver—July 11-14

Winnipeg—July 20-21

Toronto—July 25-Aug. 5

Ottawa—Aug. 7-12

Montreal—Aug. 14-25

Quebec—Aug. 26-27

When he completes his tour and leave, Mr. Gravel will be transferred to Hamburg, West Germany, as Consul.

B. A. MACDONALD, Commercial Counsellor in New Delhi, India:

Ottawa—July 4-8

Montreal—July 11-15

Quebec City—July 18

Thetford Mines—July 19

When he completes his tour and leave, Mr. MacDonald will be transferred to Athens, Greece, as Commercial Counsellor.

K. NYENHUIS, Trade Commissioner in Leopoldville, Belgian Congo:

Vancouver—July 4-6

Winnipeg—July 7-8

Toronto—July 11-20

Hamilton—July 21-22

Montreal—July 25-Aug. 5

Granby—Aug. 8

Quebec—Aug. 9

Saint John, N.B.—Aug. 11-12

When he completes his tour and leave, Mr. Nyenhuis will be transferred to Copenhagen, Denmark, as Commercial Counsellor.

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, Winnipeg and Edmonton, the Trade Commissioners make their headquarters at the offices of the Canadian Manufacturers Association; in Windsor, Ontario, at the offices of the Greater Windsor Industrial Commission; 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 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 the 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 1.01878382.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent June 20	Units per Canadian dollar	Notes (See below)
Argentina	Peso	Free	.01190	84.03	(1)
Austria	Schilling		.03779	26.46	
Australia	Pound		2.2005	.4544	
Bahamas	Pound		2.7506	.3635	
Belgium, Belgian Congo and Luxembourg	Franc		.01969	50.79	
Bermuda	Pound		2.7506	.3635	
Bolivia	Boliviano	Free	.00008591	11,640.09	
British Guiana	Dollar		.5730	1.74	
British Honduras	Dollar		.6877	1.45	
Brazil	Cruzeiro	General Category*	.004178	239.33	*June 7 (2)
		Special Category	.001981	504.72	
		Official selling	.05244	19.07	(3)
Burma	Kyat		.2061	4.85	
Ceylon	Rupee		.2063	4.85	
Chile	Escudo	Free	.9330	1.07181	(4)
Colombia	Peso	Certificate	.1465	6.82	
Costa Rica	Colon	Official	.1748	5.72	
		Controlled free	.1477	6.77	
Cuba	Peso		.9816	1.01874	tax 2%
Czechoslovakia	Koruna		.1363	7.34	
Denmark	Krone		.1423	7.03	
Dominican Republic	Peso		.9816	1.01874	
Ecuador	Sucre	Official	.06544	15.28	
		Free	.05740	17.42	
Egyptian Region, United Arab Rep.	Pound	Official	2.8186	.3548	
		Export account selling	2.4550	.4073	
El Salvador	Colon		.3926	2.55	
Fiji	Pound		2.4780	.4035	
Finland	Markka		.003067	326.05	
France, Monaco, etc.	New Franc		.2003	4.99	(5)
French colonies	Franc		.004006	249.62	(6)
French Pacific	Franc		.01102	90.74	(7)
Germany	D Mark		.2354	4.25	
Ghana	Pound		2.7506	.3635	
Greece	Drachma		.03272	30.56	
Guatemala	Quetzal		.9816	1.01874	
Haiti	Gourde		.1963	5.09	
Honduras	Lempira		.4908	2.04	
Hong Kong	Dollar	Free*	.1701	5.88	*June 10
		Official	.1719	5.82	
Iceland	Krona	Official	.02583	38.71	(8)
India	Rupee		.2063	4.85	
Indonesia	Rupiah	Official	.02181	45.84	(8)
Iran	Rial		.01296	77.17	
Iraq	Dinar		2.7484	.3638	

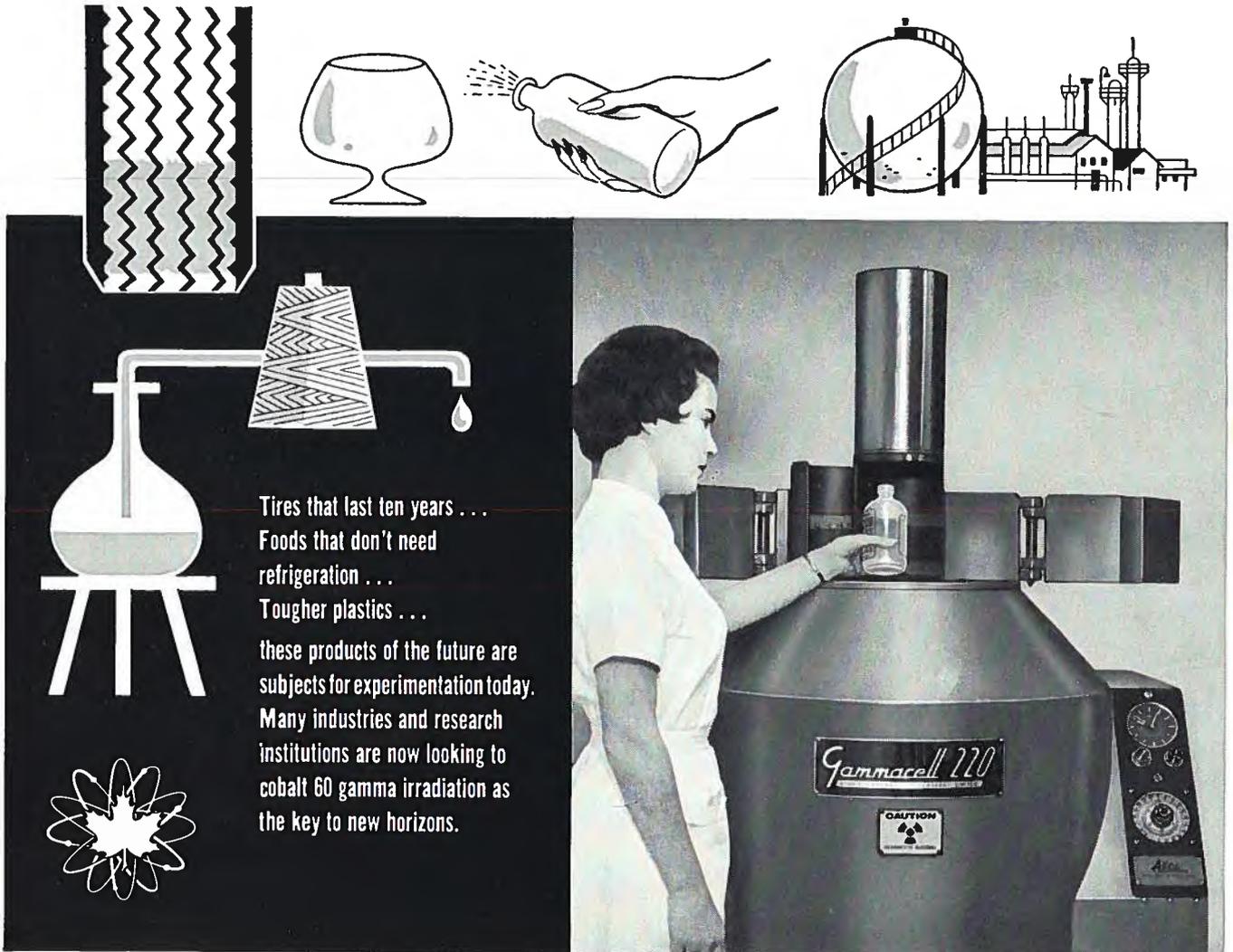
*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent June 20	Units per Canadian dollar	Notes (See below)
Ireland	Pound		2.7506	.3635	
Israel	Pound		.5453	1.83	
Italy	Lira		.001581	632.51	
Japan	Yen		.002727	366.70	
Lebanon	Pound	Free	.3083	3.24	
Mexico	Peso		.07853	12.73	
Netherlands	Florin		.2803	3.84	
Netherlands Antilles	Florin		.5245	1.91	
New Zealand	Pound		2.7506	.3635	
Nicaragua	Cordoba	Effective buying	.1487	6.72	
		Official selling	.1393	7.18	
Norway	Krone		.1375	7.27	
Pakistan	Rupee		.2063	4.85	
Panama	Balboa		.9816	1.01874	
Paraguay	Guarani	Official	.008046	124.28	
Peru	Sol		.03569	28.02	
Philippines	Peso		.4908	2.04	
Portugal & Colonies	Escudo		.03426	29.19	(9)
Singapore and Malaya	Straits Dollar		.3209	3.12	
Spain and Dependencies	Peseta		.01636	61.13	
Sweden	Krona		.1902	5.26	
Switzerland	Franc		.2276	4.39	
Syrian Region, United Arab Rep.	Pound	Free	.2740	3.65	
Thailand	Baht	Free	.04638	21.56	(8)
Turkey	Lira		.1091	9.16	(8)
Union of South Africa	Pound		2.7506	.3635	
United Kingdom	Pound		2.7506	.3635	
United States	Dollar		.9815625	1.01878382	
Uruguay	Peso	Free	.08599	11.63	(10)
Venezuela	Bolivar		.2930	3.41	
West Indies Fed.	Dollar		.5730	1.74	(11)
	Pound		2.7506	.3635	(12)
Yugoslavia	Dinar	Official	.003272	305.62	(8)
		Settlement rate	.001553	643.87	

*Latest available quotation date.

Notes

1. Argentina: effective Jan. 1, 1959, a single fluctuating exchange rate was introduced. Exports are subject to retention taxes of either 10 or 20 per cent ad valorem under this system.
2. Brazil: exporters receive cruzeiros at official buying rate of Cr.\$18.36 plus (a) an exchange premium of Cr.\$57.64 per U.S. dollar for coffee, cocoa beans and cake, and castor seeds, and (b) Cr.\$81.64 per U.S. dollar for all other exports except sugar, cotton and cocoa butter, and a few other products, export returns from which may be sold on the free exchange market.
3. For imports of wheat, newsprint and petroleum, the effective rate of exchange is the official selling rate of Cr.\$18.92 per U.S. dollar plus a surcharge of Cr.\$81.08 per U.S. dollar.
4. Chile: free rate applies to exports and imports. Chilean importers must make prior deposits in amounts ranging from 5 to 1,500 per cent, depending on product, prior to shipment of goods. Beginning January 1, 1960, one escudo equals 1,000 pesos.
5. France: territory includes Algeria, Tunisia, Guiana, Guadeloupe, Martinique. The new heavy franc (worth 100 old francs) became effective on Jan. 1, 1960. In Tunisia the rate of the franc is reduced by 20 per cent on most foreign exchange transactions.
6. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
7. New Caledonia, New Hebrides, Oceania.
8. Additional rates are in effect.
9. Portugal: approximately same rate for Portuguese territories in Africa.
10. A new exchange system was introduced in December 1959 under which exchange transactions take place at free market rates.
11. Barbados, Trinidad, Tobago, Leeward and Windward Islands.
12. Jamaica.



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