Development and Trade in 15 European Countries

FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE
OTTAWA

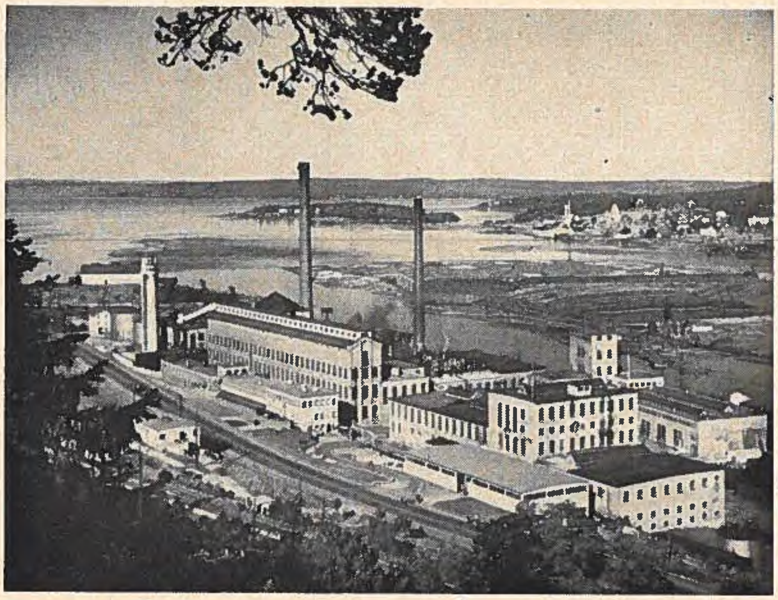
JULY 14. 62

FOREIGN TRADE

JULY 14, 1962 Vol. 118 No. 1

Established in 1904. Published fortnightly by the Department of Trade and Commerce.
The Hon. GEORGE HEES, Minister.
JAMES A. ROBERTS, Deputy Minister.
Please forward all orders to: Queen's Printer, Government Printing Bureau, Ottawa.
Price $2.00 a year in Canada; $5.00 abroad.
Single copies: 20 cents each.

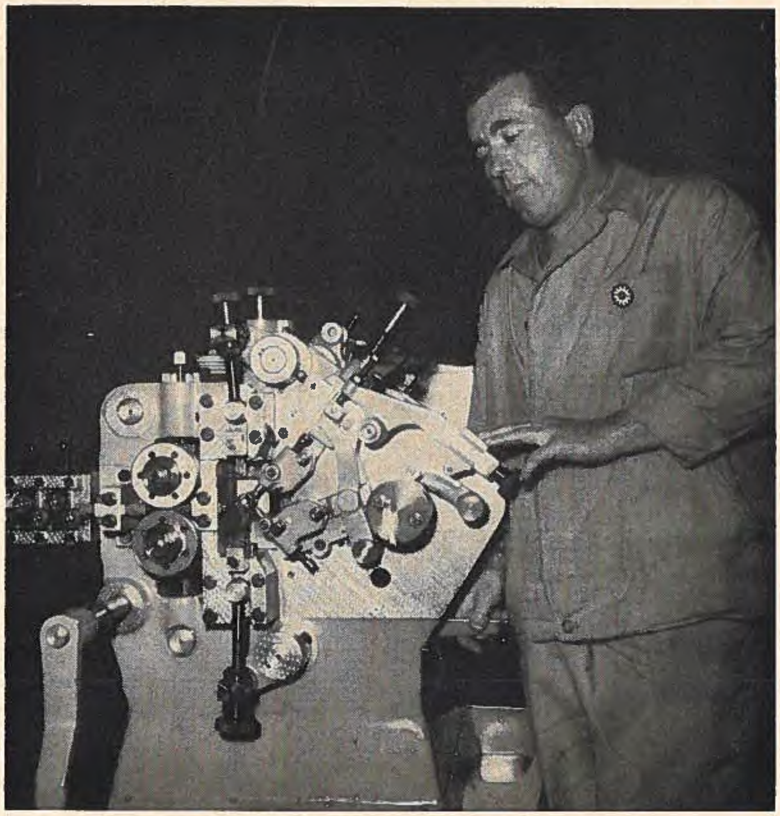
COMING—SELLING TO THE SWEDES, JULY 28 ISSUE



The pulp mill at Svartik, important part of Sweden's big forest industry.

Development and Trade in Western and Eastern Europe

Czechoslovak worker tends automatic screw machine in an industrial plant.



EFTA Countries

Ireland

Spain

Yugoslavia

Bulgaria

Czechoslovakia

Hungary

Rumania

U.S.S.R.

Austria

★ Economic expansion has slowed down slightly.

★ Tariff rates cut, more imports liberalized.

★ Market for Canadian goods continues steady.

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

IN 1961 the Austrian economy continued to surge ahead, although the rate of growth slowed down appreciably towards the end of the year. Prompted by the danger of inflation and encouraged by satisfactory gold and foreign exchange reserves, the Austrian Government took further steps to meet its obligations under the General Agreement on Tariffs and Trade (GATT) and removed additional barriers to imports from abroad. The direction of Austria's foreign trade underwent some changes; Western European countries assumed an even stronger position as suppliers and customers and nearly all other trading partners became relatively less important. Canada's exports to Austria remained essentially stable in over-all value and composition, at a time when the United States lost considerable ground in the Austrian import market.

The gross national product rose by 9.4 per cent in 1961 and reached a value of Can.$6.5 billion at the present rate of exchange. Half of this growth was the result of price increases so that the rate of "real" growth, which leaves out the price factor, was 4.7 per cent, approximately half the gain achieved in 1960. This slowdown can be considered a natural development after a long period of vigorous growth and was more or less in line with international trends; in 1961 almost no Western European country matched the growth rate achieved in 1960. The restraining elements in Austria were a tight labour market and an almost total utilization of production facilities.

Agricultural production and construction activity both rose 6.8 per cent above 1960 and consequently outstripped the average rate of growth of the economy as a whole by a comfortable margin. Both benefited from favourable weather. With an increase of only 3.8 per cent, industrial production, on the other hand, fell short of the average rate of progress achieved by the economy. In contrast to 1960, consumer rather than investment goods stimulated industrial expansion. Demand for investment goods gradually slackened as the year progressed but demand for consumer goods kept increasing and became the mainstay of economic prosperity.

Effect of Full Employment

Employment statistics provide convincing proof that the prevailing boom led to an almost total exhaustion of labour reserves. Unemployment was at its lowest in August, when job openings substantially exceeded the number of unemployed. The average rate of unemployment during the year was between 2 and 3 per cent.

As is usual in a period of full employment, wages and salaries kept moving up in 1961. The average income of all gainfully employed rose by 9.8 per cent and mass incomes by 11.8 per cent, reflecting additional employment. The general price level, exposed to the pressure of production at almost full capacity and strongly rising consumer spending, rose but not to the same degree as wages and salaries. Consumer prices increased by 5.5 per cent and wholesale prices showed a somewhat smaller advance. Austria's rate of price increase was above the European average in 1961; in the preceding years the price level in Austria was considered one of the most stable in the world.

Sources of Income

With imports valued at Can. $1.56 billion and exports at Can. $1.27 billion, Austria's trade deficit totalled Can.$290 million, Can.$16 million less than in 1960. The balance of services showed a surplus of Sch.6.7 billion (Sch.1.2 billion more than in 1960) largely because of the steadily increasing net income from tourism, which rose by 27 per cent in 1961. Slightly more than five million foreign tourists visited Austria last year, spending an average of six days in the country. In fact, for the first time the tourist trade was the most important foreign exchange earner. The surplus on the balance of payments of Can.$140 million—the second highest since the end of the war—resulted almost exclusively from inflows of capital which were favoured by the fact that interest rates and dividends are relatively high in Austria. By the end of 1961 the gold and foreign exchange reserves reached Can. $851 million, a gain of 18.5 per cent over a year earlier. At year-end prices, these reserves were almost large enough to pay for seven months' imports.

Checking Inflation

To check inflationary pressures created by the booming economy and the high level of employment, the Government and the National Bank made a number of moves. The Government took steps to wipe out the budget deficit envisaged for 1961 by reducing expenditures. The National Bank, in spite of the inflow of foreign capital, held the money supply in check and introduced credit restrictions. In addition, on January 1, 1962, the Government made a 10 per cent linear cut in a large number of tariff rates—by and large, only certain types of agricultural produce and steel goods are not affected—and removed quantitative restrictions from a further list of imports from OECD countries (including Canada) and from

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GATT members which do not belong to the OECD. The growing concern over labour shortages, the rise in the cost of living, and the even greater increases in wages during 1961 prompted business and labour leaders to conclude an agreement that provides for the admission of foreign workers to Austria, particularly in the summer months when the tourist trade and construction activity combine to make the labour shortage most acute.

Attitude towards EEC

Britain's decision to seek membership in the European Economic Community and the consequent possible dissolution of the European Free Trade Association helped Austria to turn towards the Common Market, which involves her most important trading partners. As a neutral country (like Switzerland and Sweden) Austria applied to the EEC for associate membership in December 1961; full membership might impair the country's neutral status. Failure to come to terms with the Common Market might spell disaster for the Austrian economy, which has a high stake in foreign trade. Accession is, however, also fraught with difficulties because, in spite of the impressive progress achieved in postwar years, the Austrian economy is not yet ready for the unrestricted competition that integration would ultimately entail.

Trade Pattern Changes

The bulk of Austria's foreign trade has been conducted with Western European countries since the end of the war, when Austria lost contact with the then complementary economies of her Eastern European neighbours. Perhaps as a result of European economic integration, which further focussed attention on Western European trading partners, and certainly because of the prosperity and efficiency of their economies, the center of gravity of Austria's foreign trade in 1961 shifted even more strongly to Western Europe, particularly West Germany. The volume of trade (both imports and exports) with Common Market countries rose by 8.5 per cent to Can.$1.58 billion, and with the EFTA countries by 16.3 per cent to Can.$393 million. The latter development stemmed primarily from a 27 per cent growth in trade with Denmark and a 23.3 per cent increase in the exchange of goods with Switzerland. These increases were accompanied by declines in trade with almost all overseas countries, particularly the United States, whose exports to Austria dropped by 15.4 per cent and imports from Austria by 6.5 per cent. Similarly, trade with Soviet Bloc countries slipped. Only the Soviet Union itself managed to step up its exports to Austria by 13.6 per cent and in turn purchased 10 per cent more Austrian goods than in 1960.

TABLE I

AUSTRIA'S PRINCIPAL SUPPLIERS

	1960	1961
	(in per cent of total imports)	
West Germany	40.0	42.9
Italy	8.1	7.9
United States	7.3	5.9
Britain	4.9	5.0
Switzerland	4.3	4.7
France	3.7	3.9
Netherlands	3.2	3.1
Soviet Union	2.9	3.1
Poland	2.2	1.9
Belgium	1.6	1.7
Yugoslavia	2.0	1.6
All other countries	19.8	18.3*
	100.0	100.0

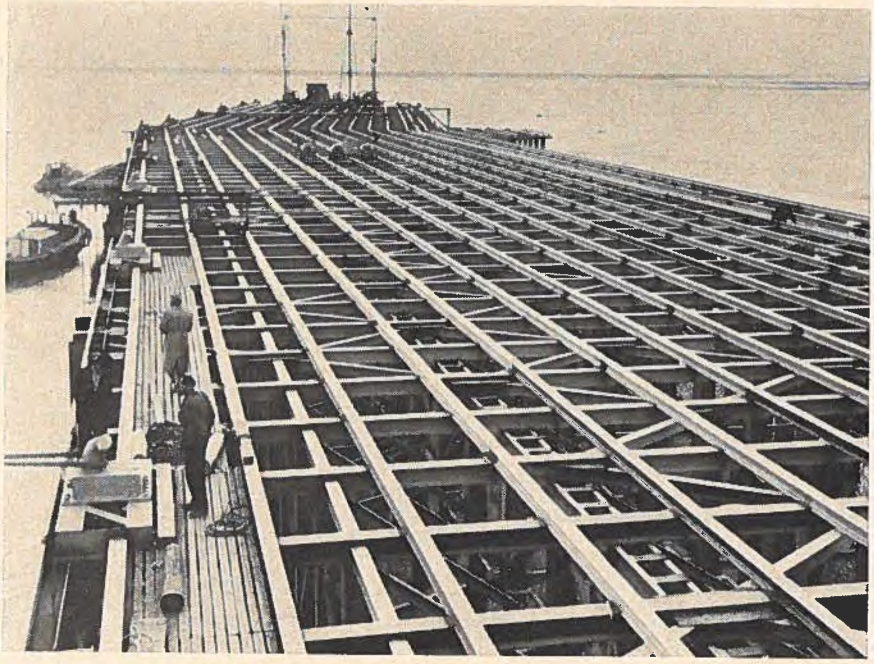
*Includes 0.6 per cent from Canada.

Table I gives some indication of these shifts and of the predominant position West Germany enjoys in the Austrian import market.

Chief imports in 1961 consisted of machinery (12.9 per cent), chemicals (7.8), cars and trucks (6.6), solid fuels (5.9), electrotechnical instruments (5.6), and iron and steel (4).

With an increase of 7.3 per cent, Austrian exports showed a higher rate of growth than imports, which exceeded the 1960 total by only 4.8 per cent. In order of importance—and this is significant in considering Austria's need for some accommodation with the EEC—Austria's most important customers were West Germany (27.5 per cent of

Austria's iron and steel industry has obtained orders in many foreign countries. The photograph shows the building of a wharf at Bandar Chahpour on the Persian Gulf. An Austrian engineering firm carried out the work, using oxygen (LD) steel.



exports), Italy (15.2), Switzerland (6), the United States (3.9), the Soviet Union (3.6) and Britain (3.1). Commodity exports consisted principally of iron and steel (18.1 per cent), wood (11.4), construction and industrial machinery (7.9), electro-technical instruments and apparatus (5) and paper (4.9).

Canadian Trade Stable

Contrary to the trend for other overseas countries, Canada managed to maintain its exports to Austria at approximately the same figure as in 1960. According to DBS statistics, goods shipped to Austria had a value of $7,876,997 (some $130,000 more than in 1960). Imports from Austria, on the other hand, only increased from $6,604,923 in 1960 to $6,635,503 in 1961.

The bulk of Canada's shipments again consisted of agricultural products and industrial raw materials—goods that Austria cannot readily obtain in the same quality and at lower prices elsewhere. Exports of wheat held up well, even though Canada could not supply durum at acceptable prices and consequently sold considerably less than in the previous year. Austria had a wheat surplus in 1961 of about 100,000 metric tons which, in view of guaranteed prices, can only be disposed of at a loss as feedstuff or through exports at low prices. Austrian wheat imports in general have declined drastically and come at the moment almost exclusively from Canada. The Austrian market for asbestos recovered in 1961 largely as a result of the superiority of Canadian grading standards, consistently adhered to. Exports of nickel, plastics and synthetic rubber declined but this is considered temporary and does not appear to reflect competition from other countries.

A widening range of semi-processed and fully manufactured goods also found a market in Austria and made up for the probably temporary decline in exports of staple products. Office machinery was in good demand; wood pulp was sold successfully, even though this seemed like a case of "carrying coals to Newcastle"; exports of tractors, textile machinery, freezers, iron and steel valves also increased. Some products like cameras, razors and radioactive elements were sold to Austria for the first time.

Cultivating the Market

Nevertheless, the composition of Canada's sales to Austria raises the question whether Canadian exporters are taking full advantage of the opportunities created by Austrian trade liberalization measures. It is true that Austria has ready access to nearby supplies of competitively priced products which are, moreover, subject to relatively low transportation charges. It is also true that tariff discrimination resulting from Austria's membership in the European Free Trade Association—by midyear of 1962 Austria's EFTA partners will enjoy a 40 per cent tariff advantage over Canadian suppliers—is beginning to make itself felt in some sectors, even though this does not affect Canada's traditional raw material and agricultural exports, on which little or no duty is levied. Nevertheless, aggressive salesmanship in the form of personal visits to Austria, price quotations on a c.i.f. North European port basis, literature at least partially in German, and close attention to competitive credit facilities—at least after initial sales have been made—should help to increase Canadian exports to Austria. Depending on the commodity involved, European suppliers frequently grant credit ranging from 60 to 180 days and, if the customer has particularly good standing, are occasionally even prepared to ship against open book credit.

If Austria maintains its present state of prosperity and its high level of employment, as experts feel it will, the increasing purchasing power of the Austrian people should enable Canadian manufacturers to sell more of their products here, provided they can meet the competition from European suppliers. •

Denmark

★ Effect of membership in EEC being studied.

★ Rises in wages, buying and costs bring anti-inflation measures.

★ Sales of Canadian fish, asbestos, lumber, tobacco increase.

K. NYENHUIS, *Commercial Counsellor, Copenhagen.*

THE high level of business activity that characterized the Danish economy in 1960 continued strong in 1961. Almost full employment was maintained, industrial investment is estimated to have increased by approximately 15 per cent, and industrial output rose by an estimated 5 per cent. The decrease in the value of agricultural exports was more than offset by increases in sales of industrial goods, and total exports rose by about 2.9 per cent to 10.5 billion D.Kr. Imports also increased by about 3.7 per cent to 12.9 billion D.Kr. The trade gap was somewhat larger than in 1960.

During the spring, wages rose considerably and by January 1962 were 12 to 15 per cent higher than twelve months earlier. This led to heavier consumer buying and further rises in prices. The cost of living rose by 6.3 per cent during the year and by April 1962 it had increased still further to 8.2 per cent over January 1961. The cost of imported goods remained fairly steady so that price increases must be attributed mainly to the higher domestic production costs.

Net foreign assets of the National Bank of Denmark and of the commercial banks fell by about 200 million D.Kr. to 1.2 billion D.Kr., despite the inflow of an estimated 500 million D.Kr. in foreign investments and loans; the effective decrease in 1961 therefore amounted to some 700 million D.Kr., according to the National Bank's estimate.

An increase of about 25 per cent in state spending during the financial year 1961/1962 turned a budget surplus of about 400 million D.Kr. into an estimated deficit of 500 million.

To provide a measure of restraint, the National Bank in May 1961 raised the official discount rate by 1 per cent to 6½ per cent, and in October urged commercial banks to refrain from expanding lending operations. These measures have not halted the inflationary trend, however, and various fiscal measures are being considered—such as the introduction on August 1, 1962, of a 9 per cent sales tax at the wholesale level on all commodities except food, and offering incentives for more private saving. Building, both public and private, is to be restricted.

Help for the Farmer

Agricultural development over the years has not kept pace with expansion in other sectors of the economy and in June 1961 legislation came into force that provided direct subsidies to farmers. Grants from Treasury funds were authorized, including 150 million D.Kr. during the financial years 1961/1962 and 1962/1963, to promote domestic and export sales of farm products, and an additional 50 million a year to reduce the price to the farmer of artificial fertilizers.

Although the grain harvest was slightly better in 1961 than in 1960, and despite an over-all increase in animal production, agricultural exports dropped by approximately 2.9 per cent to 4.5 billion D.Kr. Meat and eggs fetched lower prices at home and abroad and local consumption of dairy products and of pork increased only slightly, despite the generally higher incomes. Because farm costs (particularly wages) have risen, farmers have not experienced the desired economic progress and legislation is pending that will raise support prices on all feed grains and will provide a domestic marketing scheme for animal products. This will allow for such price increases as the Danish Monopoly Board may approve.

Trade Pattern Typical

As mentioned before, imports in 1961 totalled 12.9 billion D.Kr. Larger imports of machinery, other finished products, fuel oils and chemical products were the chief contributors to the higher import total; purchases of grain and grain products, feedingstuffs and non-manufactured products decreased. Imports from EFTA countries increased by 9.9 per cent to about 4.13 billion D.Kr., and from the EEC by 6.2 per cent to 5.3 billion. Imports from the United States, however, dropped by approximately 15 per cent to 1.03 billion.

Exports rose about 2.9 per cent in value to 10.5 billion D.Kr. Larger sales of machines, various industrial products, tinned meat, milk products, and fish accounted mainly for this increase. Shipments to EFTA countries rose by about 2 per cent to 4.4 billion D.Kr., to the EEC by 2.3 per cent to 3.1 billion, and to the U.S. by 12.1 per cent to 815.8 million.

Denmark's foreign trade last year repeated the 1960 pattern. Imports from the EEC exceeded those from its EFTA partners, although exports to the EFTA countries were again substantially larger than to the EEC. Despite the larger shipments to the United States and the drop in imports, the balance of trade remained favourable to the United States. West Germany, Britain, Sweden and the United States were once again Denmark's largest trade partners.

Why Denmark Applied

Because of the traditionally close Anglo-Danish trade relations, Denmark applied for EEC membership immediately after Britain's application had been received. This decision becomes clear when one examines the pattern of Denmark's trade with the two economic communities, EFTA and EEC. In 1961 they took 71.6 per cent of Danish exports and supplied 72.9 pcr cent of Danish imports.

With Britain and West Germany as its largest markets, and with West Germany as its chief source of supply, Denmark could not afford to remain outside an economic community that contained these two countries.

Many Difficulties

There are other problems that the country faces. Annual industrial investment in Denmark has climbed

TABLE I

INDUSTRIAL PRODUCTION AREAS AFFECTED

	Total Home Production in 1959	Free Import List	Restricted Import List	Total	Percentage
	(in million D.Kr.)				
Food and stimulants	3,505	....	585	585	16
Textiles, clothing and footwear	2,025	260	25	285	14
Wood industry	762	40	185	225	29
Paper and graphic materials	1,438	380	25	405	28
Chemicals	2,043	30	370	400	20
Stone, clay and glass	782	50	80	130	17
Iron and metal and means of transport	6,089	745	445	1,190	20
Other industries	581	170	35	205	35
All industries	**17,250**	**1,675**	**1,750**	**3,425**	**20**

TABLE II

CANADIAN EXPORTS TO DENMARK—DECREASES

	1960	1961
	(Canadian dollars)	
Canned pink salmon	17,805	12,002
Canned lobster and canned shellfish	59,693	38,786
Skim milk powder	409,420	20,947
Powdered milk, cream and byproducts	129,105	....
Barley	435,342	....
Wheat	62,242	....
Burley tobacco	69,003	....
Red clover seed	10,935	....
Aluminum scrap	15,500	5,940
Ball, roller bearings and parts	41,283	34,287
Accounting and office machinery and equipment	343,179	271,966
Human and veterinary medicinal and pharmaceutical products	170,494	50,159
Fish nets	248,871	10,166

TABLE III

CANADIAN EXPORTS TO DENMARK—INCREASES

	1960	1961
	(Canadian dollars)	
Live mink	....	8,125
Live fur-bearing animals	15,879	18,560
Fishery foods and feeds	....	146,352
Maple sugar	42,566	60,620
Flue-cured bright Virginia tobacco	37,596	163,958
Raw cattle hides	347	9,102
Senega root	6,171	15,866
Sea grass and plants	55,486	126,745
Asbestos milled fibres, grades 4, 5	777,853	1,037,122
Asbestos shorts, grades 6 to 9	95,270	124,649
Douglas fir lumber	1,347	122,630
Hemlock lumber	34,894	117,351
Broad woven fabrics of mixed fibres	5,236	41,250
Plastic film and sheet	....	18,550
Aluminum pigs, ingots, slabs	863	68,441
Copper refinery shapes	....	282,502
Copper bars, rods, shapes	261,553	525,359
Lead pigs, blocks, shot	....	46,835
Metalworking machinery, equipment and parts	950	16,525
Textile machinery and parts	....	21,833
Motor vehicles, engines and parts	66,044	135,085
Ice skates	3,714	22,928
Plastic end-products	1,780	12,483

TABLE IV

CANADIAN AND U.S. EXPORTS COMPARED*

	Canada 1961	U.S. 1961
	(in million D.Kr.)	
Grain and grain products	0.3	113.2
Fruits and vegetables	....	34.3
Feedstuffs	....	49.6
Tobacco	0.6	101.0
Oilseeds and nuts	....	156.6
Chemical raw materials and compounds	0.8	27.2
Pharmaceutical preparations	0.3	15.1
Untreated and semi-finished plastics	0.5	34.0
Treated leather and skins	0.0	14.0
Paper, cardboard	0.0	10.2
Textiles, not wearing apparel	3.1	18.7
Wearing apparel	0.1	6.9
Non-electrical machinery	3.4	137.2
Electrical machinery	0.2	57.4
Scientific instruments	0.1	16.2

*Danish statistics.

from about 700 million D.Kr. in 1957 to an estimated 1,500 million in 1961. During that period industrial production rose by an estimated 35 per cent and the value of industrial exports increased by approximately 54.7 per cent. According to a report by the Danish Ministry of Foreign Affairs, approximately 20 per cent of Denmark's industries would be affected seriously by membership in the EEC, as Table I shows.

Trade with Canada

Canadian exports to Denmark last year decreased approximately 3.3 per cent from 1960 to about Can.$4.8 million, mainly because of a steep reduction in sales of milk powder, barley, wheat, fish nets, and of human and veterinary medicinal and pharmaceutical products (see Table II). These decreases were balanced to some extent by marked increases in exports of other products—see Table III.

Denmark has a population of approximately 4.5 million who enjoy a high standard of living and the market presents a challenge to Canadian exporters. The proximity of Britain, West Germany and Sweden —Denmark's largest trading partners—permits quick deliveries from those countries, comparatively low freight costs, and easy personal contacts. The long distance from Canada, the comparatively slower deliveries and higher freight rates do not necessarily rule out larger sales to Denmark, however. Comparison of our own sales with U.S. exports to Denmark is often valuable (see Table IV).

Competition for the Danish market is strong and only keenly priced Canadian raw materials and products can hope to enjoy a measure of success. The value of personal contacts cannot be over-emphasized. Exporters visiting Britain or the Continent might well find it worthwhile to include Denmark in their itinerary. The Commercial Counsellor in Copenhagen will be glad to assist Canadians in finding suitable agents, planning visits, and in arranging appointments. When planning a trip, always provide the Commercial Counsellor well in advance with full details of your products, prices (preferably c.i.f. Copenhagen), etc., and of the date of your arrival and intended length of stay. ●

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Six of the twenty cranes installed in Helsinki Harbour some five years ago make a striking picture. These cranes in the West Harbour were designed and manufactured in Finland, handle from 1½ to 3 tons each, and have an action radius of 21 metres.

Finland

★ **Industrial production and exports rose last year.**

★ **Smaller demand forces cut in newsprint, kraft paper output.**

★ **Canadian sales up $1.75 million; wheat in lead.**

G. F. G. HUGHES, *Commercial Counsellor, Stockholm.*

ALTHOUGH they did not register the spectacular gains of 1960, most economic indicators for 1961 in Finland continued to record remarkable growth. Compared with 1960, average industrial production in 1961 was up 8 per cent, productivity increased by 3 per cent, exports were higher by over 6 per cent, and imports rose by 8 per cent. Employment increased and unemployment, showing its usual seasonal swings, never rose beyond 1.8 per cent.

Forecasts early in the year warning of the end of the boom which has continued unabated since 1958 did not come true in 1961, but in the first months of 1962 some slackening was noted in the rate of economic growth. Early in 1962, paper and board producers agreed to cut back production slightly to meet conditions of over-supply in the market. In the past few months, the supply of money has tightened significantly.

The year saw Finland's association with EFTA but it is still too early to observe any significant changes in trading patterns. Observers are now watching with interest Britain's negotiations over joining the European Common Market, as well as those of the other neutrals to win advantages through economic association with ECM without political commitments.

Industrial Production Rises

The increase in industrial production over 1960 totalled 8 per cent for the whole year and in January 1962, production was up 8 per cent over January 1961. In subsequent months there is bound to be some levelling off, in part at least because of the agreed cut in the production of newsprint and kraft paper.

The increases in output were common to most sectors, and particularly high in paper (15 per cent), drinks and tobacco (14), and engineering (11). Production of sawn lumber declined by 3 per cent and plywood by 5 per cent.

Wood and Paper—Total tree fellings were 6 per cent greater than in

1960, and pulp production rose by 15 per cent, matched by corresponding increases in paper production. The large increases in pulp and paper-making capacity, coupled with increasing pressure on the European market from Canadian and U.S. producers, prompted the Finnish and Scandinavian producers to agree in November to a 5 per cent cutback in newsprint and kraft production for 1962. The general rise in world consumption will no doubt catch up to manufacturing capacity but meanwhile mills are operating under capacity. The hope is to maintain mill staffs by increasing time allotted to maintenance and holidays.

Shipbuilding—The shipbuilding industry, developed largely to meet postwar reparations to the Soviet Union, enjoyed a satisfactory year. By the end of 1961, orders for 88 ships totalling 230,000 gross registered tons were on hand, the majority for Russian account but with Finnish and Swedish orders on the increase. Launchings in 1961 totalled 103,000 tons, an increase of 25,000 over 1960.

Engineering—The per capita consumption of steel in 1960 reached 220 kilos, compared with only 83 kilos in 1938—a rise of about 5 per cent a year. In 1961, the output of the engineering industry rose by 6 per cent but demand slackened somewhat towards the end of the year.

Chemicals—Chemical production is expanding rapidly. Production of chlorine rose by 16,000 tons to 69,000 in 1961; sulphuric acid production reached 230,000 tons compared with 186,000 in 1960, and a further capacity of 180,000 tons will be added this year. Sodium sulphate is a new product soon to be introduced, with annual production expected to meet about half the country's requirements. The manufacture of titanium dioxide began in 1961 at an annual rate of 16,000 tons. As Finnish requirements are estimated at 4,000 tons a year, there will be a significant surplus for export. The oil refinery, Neste Oy, in 1961 refined 1.28 million tons of crude oil, of which 868,000 tons came from the Soviet Union. This figure was about 8½ per cent above 1960.

TABLE I

FINLAND'S FOREIGN TRADE

	Exports				Imports			
	1960		1961		1960		1961	
Trading Areas	Billion Fmks.	Per Cent	Billion Fmks.	Per Cent	Billion Fmks.	Per Cent	Billion Fmks.	Per Cent
EFTA	106.7	33.7	112.9	33.4	102.3	30.1	116.0	31.5
EEC	88.7	28.0	103.8	30.8	115.6	34.0	126.8	34.4
Eastern Bloc	61.8	19.5	61.0	18.1	70.1	20.6	70.5	19.2
Dollar area	16.0	5.1	15.1	4.5	23.0	6.7	24.8	6.7
of which:								
United States	15.6	....	14.7	....	21.4	....	23.2	....
Canada	.36	....	.40	....	1.58	....	1.64	....
Others	43.2	13.7	44.6	13.2	29.3	8.6	30.2	8.2
Total	**316.4**	**100.0**	**337.4**	**100.0**	**340.3**	**100.0**	**368.3**	**100.0**

Foreign Trade

In 1961 exports reached a total of Fmks.337,380 million ($1,054,-300,000) representing an increase of 6.6 per cent over 1960. Forest industry exports, at Fmks.267,270 million, represented 79 per cent of total exports.

Imports in 1961 totalled Fmks. 368,250 million ($1,150 million), an increase of 8.2 per cent over 1960. The visible trade gap thus reached Fmks.31,000 million ($96.5 million) but when invisibles are taken into account, the deficit is reduced to Fmks.23,000 million ($72 million).

Last year, Finland made substantial drawings on medium-term and long-term credits and also used short-term borrowing facilities abroad. Although the amortization payments on long-term credits amounted to 12,400 million marks, Finland drew 29,800 million marks on credits with maturities of more than one year. This figure includes some utilization of the new World Bank loan granted in August 1961 to finance the expansion and modernization of its paper and pulp industry, plus employment of the long-term delivery credit granted by the U.S.S.R. in 1959. In October the Bank of Finland issued new instructions that reduced from one year to six months the maximum term of the commercial import credits granted without specific approval of the Bank of Finland. This step was aimed at restraining the long-term adverse effect on the balance of payments, which was discernible in the tendency of importers to depend increasingly on extended terms of payment.

Table I shows the geographical distribution of trade.

Britain remained Finland's best customer and edged out the Soviet Union as number two supplier. Western Germany continues to be the leading supplier. The fourth most important supplier is Sweden, followed by the United States and France.

In January 1962 the import regulations were modified; this action brought the Finnish free list more into line with its EFTA partners and increased foreign exchange allotments under the global quota system. Canada, with the United States, has equal access to these allotments. During the year, Japan was placed on the list of countries sharing the rights of those originally comprising the Helsinki Club and thereby qualifies for foreign exchange allocations under the global quota system.

Trade with Canada

According to Canadian trade statistics, Canadian exports to Finland for 1961 reached $6.1 million, compared with $4.35 million in 1960. Most of the improvement was the result of larger shipments of

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wheat, copper, aluminum, steel, synthetic rubber, chemical raw materials, pulp and paper machinery, and office machine parts. Wheat continues to be Finland's major import from Canada. Imports from Finland increased from $1,053,460 in 1960 to $1,215,000 in 1961.

Although Finland cannot become a major customer of Canada's because many exports of the two countries are similar, the Finnish market for raw materials and consumer goods is expanding rapidly, reflecting the increasing industrialization and the rise in general living standards. Canadian exporters who are serious about entering the market would do well to study the competitive position of their products and the success they have had in the more centrally located countries of Europe.

Because Finland is a northern country where forest products industries account for almost three-quarters of the foreign exchange earned, there are many products made in Canada for the forest industries that should find a market here, if they are competitively priced. Sales opportunities worth investigation include machinery employed in the logging industry; transportation equipment, including tracked vehicles for use in snow, snow-removal machinery; Arctic clothing; pulp and paper machinery; forest firefighting apparatus, and all manner of equipment and supplies used in the forests and in the industries that depend on them. ●

Ireland

★ **Irish industry expanding; foreign capital coming in.**

★ **Exports, up £27.6 million last year, becoming more diverse.**

★ **Canadians shared in market expansion; sales rose 48 per cent.**

W. G. BRETT, *Commercial Secretary, Dublin.*

DURING 1961 Ireland, on a purely statistical basis, was the fastest developing market for Canadian exports in Western Europe. Our exports rose to $11.5 million from $7.7 million in 1960, an increase of 48 per cent. We will examine later the composition of and the most interesting developments in our trade, but before doing so let us look at the backdrop, the economy of Ireland.

What has happened in this traditionally static society? At the core of the change is a dramatic expansion in agricultural and industrial output—15 per cent for the years 1959-1961, compared with only 8 per cent for the years 1950-1958. National income in 1961 reached £569 million, without any undue strain on prices. To explain these hopeful figures, one must look a little farther back and examine the changing relationship between Ireland and the rest of the world, particularly Britain and Europe. We will consider this further when we look at the Irish approach to the Common Market, but in general Ireland is catching the glow of exciting developments in Europe and its exports have expanded considerably, in sympathy with European economic expansion and British prosperity. These are so important to the economy of this largely agricultural country that they warrant particular examination.

Robust External Trade

Exports during 1961 reached £180.3 million, that is, £27.6 million higher than in the previous year. The volume index for exports, which was 116.9 in 1957, was 154.0 in 1961. This increase is largely the result of shipments of live cattle and meat products to Britain.

It is estimated that the live-cattle equivalent exported in 1961 totalled 1,181,000 head, compared with 904,000 in 1960. There were also interesting and heartening gains in exports of textiles, clothing, machinery and footwear. This trend to diversification is a most encouraging aspect of Irish foreign trade, reflecting buoyant demand in the British market to which Ireland is so closely tied.

Imports too increased considerably—from £226.4 million in 1960 to £261.3 million in 1961. However, there was comfortable compensation in invisible earnings, particularly from tourists, and the increasing flow of foreign investment capital.

Industry Takes Root

The advance of Irish industry mirrors the success of the Program for Economic Expansion that was inaugurated in 1958 and the untiring and imaginative efforts to induce foreign risk capital to come to Ireland. Since 1955 almost 100 factories have been built in this Republic. State aid accorded to 37 accepted projects between March 1960 and March 1961 amounted to £3.2 million. On the average, these grants account for about 40 per cent of the total investment. Britain is the heaviest investor, but West Germans rank second, accounting for 22 of the risk ventures. Obviously a good many of these projects are limited in scope, but a few are ambitious and of great potential value to the economy. These include the

Verolme shipyard near Cork and the Potez aircraft factory destined for County Dublin.

The advances in production in the manufacturing industries from 1960 to 1961 were shared by each of the industrial groups. Chemicals and chemical products increased 18 per cent, the metal and engineering group by about 12 per cent, and clay products about 10 per cent. There were increases of approximately 9 per cent in food, clothing and footwear, paper and printing. In all, the manufacturing industries taken together showed a production increase of about one third over the period 1953 to 1961.

Potential Problems

The impetus apparent in 1961 has thrust well into 1962, but there are one or two inhibiting factors that may or may not come to threaten progress. Among these is the problem of wage inflation that lurks in all rapidly expanding economies, but particularly in Ireland where industry has such a slender base. There are sporadic strikes in many of the new industries and in the state-owned utility companies, such as Coras Iompair Eireann (Irish Transport Company). Another potential source of trouble is the agrarian unrest over the widening gap between industrial and farm incomes. The last budget, which was brought down on April 10, acknowledged this situation to the extent that it allotted £2½ million to increase agricultural subsidies and gave certain other tax reliefs.

Agricultural Prospects Good

Advances in industry are particularly welcome in a traditionally agricultural country, contributing as they do to the national income. They are particularly welcome because they absorb employment in a country that has long been bedevilled by emigration and a decline in population. However, the natural bent of the country and its people is for agriculture and in spite of the gains that we have already recorded, there is scope for improvement. This is being sought in several ways. First, there is the successful and accelerated campaign for the eradication of bovine tuberculosis; now only very limited areas in the south are contaminated. Then there are the imaginative plans of the Irish Sugar Company, a state-owned organization, for the dry-freeze processing of vegetables, particularly potatoes. Another hopeful development is the self-imposition of standards and grades, particularly in bacon and dairy products. In all, there is a certain cohesion in the agricultural sector far removed from the days of independent cottagers driving their pigs to market. This transition from the scattered efforts of peasants to a smoothly controlled and balanced agriculture is a formidable economic hurdle for any country.

Examining Canadian Exports

Table I compares the 1959, 1960 and 1961 records of the products accounting for the bulk of our trade with Eire.

The old standbys—wheat, newsprint and aluminum—accounted for more than $8 million of the $11.6 million worth of goods we sent to Ireland in 1961. In fact, the big increase in wheat tonnage largely accounts for the rise in our total exports from $7.7 million in 1960. Nevertheless a trend to more scatter in our trade is apparent, particularly in fairly sophisticated consumer goods. In the last calendar year we exported measurable quantities of goods under 148 tariff headings, compared with about 100 the year before. This reflects the high level of effective consumer demand in Ireland and the new need for capital goods.

There is a persistent tendency for Canadians as well as other suppliers to regard Ireland as an adjunct to the British market. There is a certain validity in this when one considers the proximity, the currency, and the fact that the same standards and specifications operate in each country. But this is definitely a market that responds to individual treatment and occasional visits by salesmen from a British-based agency are simply not enough. Canada has a unique advantage in this market, for we share with the British preferred access through substantially lower duties. Given this advantage, our status as a supplier to Ireland, particularly when one considers that the economies are largely complementary, could be better than it is.

Britain naturally heads the list of Ireland's trading partners, usually supplying more than half of the Republic's needs. The second supplier is the United States, with exports about three times as large as Canada's. Then comes West Germany, with more than twice our exports. Canada in 1961 ranked sixth, just after the Netherlands.

It is instructive to compare the chief U.S. exports with our own. In a few main categories (wheat, aluminum and newsprint) we are undisputed winners, but it is difficult to understand why, given our preferred position, our sales of apples, oil cakes, tobacco and

TABLE I

MAIN CANADIAN EXPORTS TO IRELAND

	1959	1960	1961
	(in Canadian dollars)		
Total, all products	**8,156,374**	**7,706,416**	**11,587,891**
Of which:			
Oats n.o.p.	....	....	109,545
Wheat	3,399,922	1,475,612	4,910,900
Raw cattle hides	120,849	50,573	154,814
Lumber (softwood)	79,454	239,058	732,400
Newsprint	1,711,495	1,584,705	1,799,326
Synthetic yarn and thread	24,225	742,398	109,628
Plastics	....	488,703	764,009
Primary aluminum	1,186,141	1,602,388	1,358,904

pharmaceuticals, to name just a few products, are not more important.

The general prospects for Canadian sales are good to the point where it becomes difficult to select areas of special promise. Certainly we could say that the whole field of consumer durables and selected textiles, plus the lumber and pulp and paper sector, has particular potential.

The present Canadian trade with Ireland is not lacking in success stories. When the onion quota opened up, Canadians were leading suppliers. Handsome suede garments made by a Toronto firm are finding ready buyers in one of Dublin's leading department stores—this in a country on the doorstep of continental suppliers. Perhaps the most interesting sale was a large boiler destined for one of Ireland's public companies, which sold at a substantial price. Often in sales such as this Canadians show a tendency to diffidence, psychologically inhibiting increased sales efforts. But in general the Irish, more than most people, tend to identify Canadian industry with U.S. productive capacity and they have great respect for any product made in North America.

Ireland and Europe

There is a certain amount of truth in the assertion that the Irish have no sense of history, that for them the present began in 1171 when Strongbow landed at Waterford. To the extent that this is true, the soul-searching and temerity with which Ireland has made application to become a full member of the European Economic Community may be imagined. For centuries Ireland has stood in the wings, untouched by many of the forces that shaped modern Europe—the Roman conquest, the Normans or the Reformation. Only with Britain has it had an intimate but not always happy relationship. This necessarily survives in the special commercial links with Britain extended by convention to Canada only. With the British approach to the Common Market an application from Ireland was inevitable, otherwise Ireland would be cut off from its natural and complementary market. But in a sense the Irish application was a much more searching decision, abusing the nation's sense of neutrality and marking the first approach to Europe since Irish monks set forth to civilize that continent. The advantages and disadvantages are endlessly argued, and not only in economic terms. The ability of Ireland to absorb the social changes that membership is bound to bring is very much in everyone's mind. However, on the economic plane there seem to be two generally accepted conclusions. Membership will be a blow to protected Irish industry; hence there is constant exhortation to merge, cooperate, work harder, develop export markets, and so on. At the same time government agencies are constantly busy with surveys, trade missions and attendance at international conferences. There is no self-delusion about the consequences to industry but there is no wavering on the rightness of the application.

TABLE II

DIRECTION OF IRISH FOREIGN TRADE

	Imports 1961 £	Exports 1961 £
Britain	118,790,505	109,610,594
United States	19,927,967	12,837,319
West Germany	14,393,867	5,479,236
Iraq	8,253,340	20,441
Netherlands	6,957,668	2,009,700
Canada	6,218,376	1,608,373
Belgium	5,565,719	1,325,050
France	5,473,253	1,148,340
Australia	4,684,467	153,386
Finland	4,271,869	122,496

The second generally accepted conclusion about the Common Market is that it will be a good thing for Irish agriculture—not only to preserve the British market should the British negotiations be fruitful, but to open up wide markets for Irish agricultural products on the continent. The operation of the common agricultural policy is less easy to forecast than the effect of the common external tariff on industry; besides, there are some formidable agricultural producers in Europe.

Whatever the consequences to Ireland, Canadian terms of access to the Irish market will be affected. The ultimate tariff is expected to be the same as for Britain, but the phasing may be wider-spaced because of the special problems of Irish industry.

Increasing Sales

Given the present trading relationship between Canada and Ireland, Canadian sales should increase with Irish economic expansion which, as we have seen, appears to have a good deal of thrust behind it. The extent will depend on Canadian trading techniques. There are some limiting factors, such as the extent of the market, the unwillingness to stock, and protection of Irish industry. But with more awareness of Ireland as a market separate from Britain and less diffidence about our ability to compete, the report for 1962 is bound to be a good one.

For More Information . . .

If you would like more information on the countries covered in this issue, the following articles that have appeared in *Foreign Trade* during the past year may be helpful.

Bulgaria
"The Trade Commissioner Looks at Bulgaria", April 7, 1962.

Czechoslovakia
"Czechoslovakia Begins Third Plan", July 5, 1961.

Norway
"Pulp and Paper Industry Expands", October 7, 1961.

Portugal
"Advertising in Portugal", June 2, 1962.

Spain
"Spain Makes Economic Progress", March 10, 1962.

Sweden
"Sweden's Timber Exports", February 24, 1962.

Switzerland
"Switzerland's Chemicals Trade", June 2, 1962.

U.S.S.R.
"The Trade Commissioner Visits Central Siberia", May 5, 1962.

This Norwegian home has roofing shingles and wall shingles made in Norway from Canadian asbestos. Asbestos fibres rank high among our exports to Norway.

Norway

★ **Industrial production, imports rose; exports up slightly.**

★ **Norwegians study effect on fisheries of entry into EEC.**

★ **Canadians increased share of market last year.**

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

THE year 1961 was the most active in Norway's industrial and commercial history. Production and employment expanded at record rates. Industrial output rose by more than 7 per cent over 1960, with increases more noticeable in home-market than in export industries. Among the latter, the largest expansion came in artificial fertilizers, herring oil and fishmeal, and ferro-alloys. Wood pulp output rose slightly.

Among the home-market industries, consumer goods output advanced more than capital goods, particularly chocolates and sweets, furniture and home equipment, petroleum products, china and earthenware, although iron and steel foundries and wire and cable plants stepped up production substantially.

In agriculture the harvest totalled 101 per cent of an average year, compared with 103 per cent in 1960. Hay, grain and vegetable yields were somewhat higher than average, but the potato crop reached only 96 per cent of 1960. In forestry, production of conifer timber totalled 7.2 million cubic metres (167,000 more than in 1960) and the fisheries catch reached 1.3 million tons, slightly less than in the previous year. The winter herring fishery almost failed completely, yielding only 70,000 tons as against 300,000 in 1960. However, output of the fat herring and small herring fisheries was considerably larger and the Iceland herring and cod fisheries yielded record catches.

Industry in Brief

Here is a brief look at several sectors of industry during 1961; comparisons are with 1960.

Ores—Production declined by about 3 per cent in 1961 because of a miners' strike that lasted about one month. Output of iron ore and titaniferous iron ore totalled 1.9 million tons, the same as in 1960. Marketing conditions for iron ore were satisfactory on the whole but 1962 prospects are not as bright. Strong competition from France and Eastern Europe, which still prevails, resulted in marketing problems for pyrites and production was down from 833,000 to 740,000 tons. Output of zinc and lead concentrates dropped from 25,000 to 23,000 tons, copper ore and concentrates from 29,000 to 27,000.

Metals—The primary iron and metals industry increased its production by 4 per cent and though marketing conditions on the whole were satisfactory, certain metals, particularly steel, ran into marketing difficulties towards the end of the year. Ferro-silicon output rose from 173,000 to 190,000 tons; a new factory at Troms began production and one in South Trondelag is planned, as well as expansion of existing plants. Crude iron, steel and rolling mill production remained about the same as in 1960—380,000 tons of crude iron, 485,000 tons of crude steel, and 350,000 tons of rolling mill products. Aluminum production increased from 165,000 to 175,000 tons and capacity now stands at 190,000 tons a year.

Wood Products—Output rose 3 per cent, but fell towards the end of year because of marketing problems. Paper output advanced from 790,000 tons to about 820,000; both exports and local deliveries (particularly to packaging plants) increased. Production capacity is now slightly above 900,000 tons. Exports of paper and cardboard reached 571,065 tons valued at 690 million Norwegian kroner,* compared with 553,279 tons worth 666 million kroner in 1960. Prices continued at the 1960 level. Chemical pulp totalled 735,000 tons (equal to 1960) though exports fell from 318,839 tons to 281,621. Mechanical pulp output reached 770,000 tons but exports were down slightly from the high 1960 figure.

Chemicals—Output was up by 30 per cent, mostly because of the new Esso refinery, which raised the total by 25 per cent. Output of nitrogen products rose from 266,000 to 300,000 tons, of calcium carbide from 46,000 to 50,000 tons (carbide production capacity will increase considerably in next few years); cyanamide output was slightly lower.

Canned Goods—Output declined 2 per cent. Canned brisling remained the same as in 1960, about 450,000 cases. Because the winter herring fishery failed, only 42,000 hectolitres of kippers were packed, compared with 119,000 in 1960. Canned small herring production was about the same as 1960—925,000 cases.

Herring Oil and Fishmeal—Output increased by 8 per cent to 130,000 tons and 60,000 tons, respectively, despite failure of the winter herring fishery. Supplies of other raw materials for this industry were abundant. Exports of herring meal rose from 88,708 to 109,885 tons, because of more favourable marketing conditions and relatively large stocks at beginning of year; oil was down somewhat in price, but meal prices were higher.

Merchant Fleet Expands

The growth of the Norwegian merchant fleet in 1961 was the largest for any year since the end of World War II. At the end of the year the merchant fleet consisted of 2,235 ships (excluding vessels under 100 gross tons), totalling 11.7 million gross tons; tankers made up about 6.5 million. Net freight earnings rose from 3,070 million to 3,215 million kroner.

Employment Full

In Norway, as in some other European countries, over-employment has brought increasing problems. Industrial expansion and the progress in the transportation and distribution sectors of the economy have so tightened the labour market that manpower shortages may even hamper expansion. Though 1961 was a year of great progress, there is nevertheless some uncertainty about the future. Economic pressures at home—pressures that threaten to make themselves felt in fresh wage and price increases—are the chief cause.

Foreign Trade

Norway's imports in 1961 rose to 11,528 million kroner (ships totalled 2,110 million) from 10,446 million in 1960, a jump of 1,082 million. Purchases of industrial goods were responsible for most of the increase, especially capital goods, with emphasis on fuel, raw materials for the textile industry, base metals, machinery and apparatus and transportation equipment. Consumer goods imports also increased slightly, although grain and grain products declined.

Less favourable marketing conditions for several of Norway's chief exports meant that sales overseas rose only fractionally—from 6,291 million kroner in 1960 to 6,635 million last year. Increases came in feed products, canned fish products, sulphur and other crude minerals, fats and oils, fertilizers, and paper and cardboard. Exports of ships reached 428 million kroner (up from 296 million) but sales of fish, wood pulp, ores and raw and semi-manufactured base metals declined slightly.

Norway's trade deficit with Common Market countries widened to 1,692 million kroner from 1,271 million in 1960. The imbalance in trade with West Germany increased from 680 to 816 million kroner, and with Britain from 62 to 146 million. West Germany, imports from which increased sharply from 1,438 kroner in 1960 to 1,702 million in 1961, replaced Britain as chief supplier. The deficit with EFTA countries rose from 406 to

TABLE I

NORWAY'S FOREIGN TRADE, BY AREA

	1960		1961	
	(N.Kr.'000,000)			
Exports to:				
Europe	4,904		5,041	
North and Central America	536		685	
Of which:				
United States		434		546
Canada		26		32
South America	224		199	
Other countries	627		711	
Total exports	**6,291**		**6,636**	
Imports from:				
Europe	6,525		7,002	
Of which:				
Free Trade Area		3,085		3,356
Common Market		2,843		3,303
Africa	245		233	
Asia	265		225	
North America	1,597		1,450	
Of which:				
Canada		510		531
United States		875		785
South America	313		461	
Other countries	27		47	
Total imports	**8,972**		**9,418**	

*Can.$1.00=N.Kr.6.55.

555 million kroner. Table I shows Norway's foreign trade during 1960 and 1961, by area. Canadian exports to the market rose from Can. $61.6 million in 1960 to $69.7 million last year; Table II shows the principal commodities in this trade.

Norway and EEC

On May 2 Norway applied for membership in the EEC. A long development preceded that decision. Norway exports more than 40 per cent of its national production, and 75 per cent of total commodity exports go to Western Europe. Should Britain and the other EFTA members' negotiations with the EEC succeed, the advantages that Norway gained through membership in EFTA would disappear; the country could then not afford to stay outside the Common Market. The common external tariff of the Six hits Norwegian exports hard, and unless the difficulties created by this tariff can be overcome, serious problems could arise.

If it is successful in its application, Norway will face problems even as a member of the EEC. The drafting of a common European fisheries policy by the Six, for example, will be of great significance to Norway in coming years. A common agricultural policy would raise problems also because of Norway's climate, topography and population compared with other countries in Europe.

The system outlined in the Rome Treaty for co-operation between member states in fisheries covers fishing, fish processing, and the trade in fish. Norwegian fisheries policies and legislation would have to undergo profound changes to meet these provisions, especially Norwegian legislation on embargos, reloading, packaging and processing inside the fishing limit. The economic and social consequences to Norway of extending equal treatment to non-nationals in this sphere, as the Rome Treaty requires, are difficult to assess in advance.

Such changes in the present Norwegian policy would probably have effects in a number of fields. Fishing in the North Atlantic and along the Norwegian coast would no doubt be much greater because European fishing fleets would be allowed to operate from harbours closer to the fishing grounds. This would strengthen the competitive position of foreign fishermen. Intensified fishing in these waters might deplete important fish species, particularly cod. On the other hand, larger quantities of fish would probably be landed in Norway. Even if the catches in Norwegian waters did not increase but marketing conditions were satisfactorily arranged, Norway's processing industry might expand accordingly.

The Common Market today is a deficit area for fish and fish products. Western Europe buys some 50 per cent of Norwegian fish and fish product exports, with Britain, Italy, Sweden and West Germany the chief markets. Norwegian affiliation with the Common Market system based on the abolition of all restrictions on the trade in fish would no doubt be of the greatest importance for the export of Norwegian fish products, especially frozen fish fillets. As mentioned above, however, the Rome Treaty requires a common fisheries policy to be formulated by member states. The advantages that Norway might obtain would depend therefore on how restrictive this policy is.

New Sales Opportunities

Norway has reduced its customs tariffs by 30 per cent on all goods imported from the other EFTA countries with the exception of agricultural, fish and other marine products, and articles subject to a fiscal rather than a protective rate of duty, such as spirits and automobiles. A further 10 per cent reduction came into effect on March 1, 1962, for all EFTA countries except Austria and Norway, who were permitted to postpone the reduction until September 1962.

Liberalization of Norway's imports continued during 1961, free lists being further extended on May 1 and July 1. The plan is that imports of practically all industrial goods will be liberalized by January 1963.

As a result of further relaxation of import controls, Canadian exporters are now in a position to take advantage of improved opportunities to trade in the Norwegian market in a wide list of products, especially base chemicals and compounds; iron, steel, copper and products; commercial and industrial machinery and equipment. •

TABLE II

CANADIAN EXPORTS TO NORWAY

	1960	1961
	(Can.$'000)	
Total	**61,595.0**	**69,743.6**
Of which:		
Nickel in matte or speiss	44,877.5	47,521.6
Copper, fine, in ore	10,237.2	9,162.2
Wheat	6,163.9	5,847.5
Copper bars, rods, shapes	....	3,608.4
Platinum metals in ores, concentrates	860.9	979.4
Flaxseed	1,083.7	839.0
Aluminum pig, ingots, slabs	4.7	682.9
Nickel in oxide	....	491.6
Zinc in ores, concentrates	883.7	385.9
Plastics, synthetic rubber	542.9	384.6
Copper refinery shapes	....	363.6
Metallic salts, peroxysalts	....	333.8
Asbestos milled fibres	332.2	292.3
Aluminum ores, concentrates	50.5	273.7
Scrap iron and steel	....	258.2
Aircraft, complete with engines	192.5	130.5
Sausage casings, natural and synthetic	61.5	115.8
Sheet and strip steel	140.8	112.0
Sparkplugs and parts	77.9	102.4

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Portugal

★ **Industrial development proceeding despite problems.**

★ **Accession to GATT became effective May 1962.**

★ **Total trade with Canada biggest in 16 years.**

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

PRODUCTION of goods and services in Portugal increased in 1961 at an even faster rate than in 1960 or 1959, according to the Bank of Portugal, and this in spite of the poor agricultural showing because of a succession of years of poor crops. However, the increase occurred mainly in industry and related services, such as electricity, communications and transport.

Industrial production, which rose 7 per cent in the first six months of 1960 (largely because of electric power development) exceeded this figure in the same period of 1961 by 12 per cent. However, in the second half of the year the increase totalled only 4 per cent. National production increased from 58,630 million escudos in 1960 to 62,160 million in 1961.

The Second Development Plan, the blueprint for economic development in Portugal, used up to 82 per cent of the planned expenditure during 1959/60. Expectations are that the same level will be reached this year. Financing was fixed at 4.8 billion escudos and expenditures for January/September 1961 were 2.5 billion, or 52 per cent. Approximately one quarter was contributed by the State, one quarter by the banks, 20 per cent by social insurance companies and 15 per cent by private issues. So far, foreign sources of finance have not been attracted to any degree.

Industrial Development

Among the industrial achievements of 1961 were:

- A start on the first atomic research reactor by the nuclear physics centre.
- Inauguration in August of a steel industry with a planned annual production of 250,000 tons, giving impetus to industrial development. It has since started exporting steel to Israel.
- Opening of a new chemical fertilizer plant.
- Building of 15 diesel electric locomotives by a Portuguese plant for delivery to the Portuguese railroad company.

Manufacturing, electrification and transport, which absorb the major part of expenditures, fell below the targets set by the Plan, but the fishing industry carried out its commitments.

Failures in provision of equipment and supplies, technical and organization difficulties, shortage of skilled labour—these are some of the reasons for the slower than expected rate of expansion and development. Problems overseas no doubt also had an effect. However, in spite of these and other difficulties, the industrial development program is slowly forging ahead.

Financial Picture

In Portugal's budget for 1962, revenue has been estimated at or around 12,463 million escudos and expenditure at 12,461 million escudos. This means a budget of about $450 million (Canada's estimated expenditure $7,013 million) an increase of about 5 per cent over 1961.

The largest items of expenditure are education (1,034 million), the Army (884 million) and the Navy (605 million). These absorb between them about 30 per cent of ordinary expenditure. During the present critical period for Portugal priority is given to national defence and this means increased taxation.

According to the Bank of Portugal, the balance of payments of the escudo area (which comprises Metropolitan Portugal with its overseas provinces and territories) showed a deficit of 629 million escudos in mid-1960 which grew to 3,505 million in mid-1961.

The trade deficit for the past year of 9,287 million escudos was to some extent compensated for in the balance of payments; nevertheless the Bank of Portugal reported a year-end adverse balance of 3,178 million escudos, with a loss of gold and foreign exchange reserves equalling 2,619 million escudos in 1961. In 1960 over-all operations were almost in balance.

Imports increased 20 per cent and exports remained stationary, but these imports included passenger liners, necessary foodstuffs such as wheat, raw materials and semi-finished products, which were stockpiled because of the year's difficulties and developments in the overseas provinces. This spending on new production equipment is preferable to the long-term stagnation of exports, despite the current trade deficit. But the balance must be redressed by providing incentives for increased exports to reduce the deficit with Portugal's chief trading partners in Europe, mainly in the Common Market.

GATT, EFTA and EEC

Portugal's accession to the GATT is a direct consequence of the OEEC coming to an end in November 1960 and being succeeded by the OECD. The accession was approved at the GATT meeting in Geneva on December 9, 1961, and Portugal became a Contracting Party on May 6, 1962. Referring to the accession, the Bank of Portugal states that this has already brought some modifications in commercial policy, espe-

One of Portugal's newest ocean liners, the 23,000-ton "Infante D. Henrique", passes the Santa Maria Tower of Belem at the entrance to the harbour at Lisbon, the capital.

cially in trade liberalization through concessions granted to GATT members. It is still too early to tell to what extent the concessions made to Canada will benefit trade.

If Portugal joins the Common Market, this will have profound and far-reaching consequences. However, as a member of EFTA she cannot stand aside from the movement to unify EFTA and the EEC.

The Minister of State, Dr. Correia de Oliveira, has stated that Portugal will request membership in the EEC but that the form of this membership has not been decided upon. Probably it will be a temporary association and Portugal will not be a full member until its economic integration with its overseas provinces, now under way, is completed. The escudo area as a whole would then apply for full and permanent membership.

Meantime EFTA continues to operate and bring into force reductions in customs duties as planned by the Stockholm Convention. Portugal added another 10 per cent cut in July 1961 to the 20 per cent in effect and another 10 per cent early this year, totalling 40 per cent. This may be said to constitute a preparation for ultimate integration with the Common Market.

Trade Deficit Larger

Trade returns for 1961 showed an adverse balance that rose from 6,282 million escudos in 1960 to 9,289 million in 1961, an increase of about 50 per cent. Imports rose by over 20 per cent to 18,791 million escudos but exports increased by only 1.6 per cent to 9,505 million. (See Table I.)

TABLE I

PORTUGAL'S FOREIGN TRADE

	1960	1961	Increase
	(million escudos)		
Imports	15,636	18,791	3,155
Exports	9,354	9,504	150
Total	24,990	28,295	3,305
Adverse balance	**—6,282**	**—9,287**	

Last year Portugal began to find a growing market for its products in the EFTA countries. This trend increased slightly in 1961, when EFTA countries took 21.5 per cent of Portuguese exports, compared with 20.2 per cent in 1960. The EEC countries, however, also increased their share—from 21.6 to 21.7 per cent. The overseas provinces, on the other hand, took only 23.2 per cent, down from 25.7. The changes, however, are not sufficiently pronounced to indicate a strong and definite trend. Portugal increased its purchases from both trading groups—from the EEC from 38.4 to 38.8 per cent and from EFTA from 19.9 to 22.9 per cent. This seemed to be at the expense of trade with the overseas provinces, which showed percentage decreases in both exports to and imports from Portugal—from 14.4 per cent (1960) to 12.5 (1961) and 25.7 per cent (1960) to 23.2 (1961) respectively.

Britain is still Portugal's best customer, followed by the United States. Germany continues to replace Britain as the most important supplier—and this in spite of the inclusion of the delivery to Portugal of a British-built steamship, *Príncipe Perfeito,* the most recent addition to its steamship fleet.

Trade with Canada

Canada's trade with Portugal, as shown in Table II, increased considerably in 1961. This trend towards increased trade has been noticeable over the last few years but the total reached the $10 million mark in 1961 for the first time in many years—in fact since Portu-

TABLE II

PORTUGAL'S TRADE WITH CANADA

	1957	1958	1959	1960	1961
			(Can.$)		
Canadian exports to Portugal	$2,605,226	$2,280,093	$3,250,958	$3,336,071	$4,718,342
Canadian imports from Portugal	2,664,338	2,967,418	3,115,990	3,208,306	4,916,857

TABLE III

CANADA'S PRINCIPAL EXPORTS TO PORTUGAL

	1960	1961
	(Can.$)	
Cod	$ 904,379	$1,063,864
Copper ingots, bars and billets	332,128	838,303
Aluminum and its products	332,074	541,525
Flaxseed	507,579	503,139
Durum wheat	....	219,912
Steel sheet and strip	78,328	161,750
Asbestos products	115,064	191,774
Plastics and synthetic rubber	137,388	171,930
Synthetic fibre thread and yarn	147,823	123,797
Wheat flour	131,336	92,745
Tobacco	104,750	82,814
Household refrigerators, freezers and parts	34,838	77,608
Military weapons and parts	....	80,032
Pulp, sulphite	83,824	....
Total, all exports	**$3,336,071**	**$4,718,342**

gal ceased buying Canadian bread grains, which it purchased in quantity in the early postwar years.

Some new products have appeared in our exports to Portugal, such as steel sheet and strip, household refrigerators and durum wheat (relatively small quantities, 126,000 bushels). Wheat flour exports have dropped slightly.

TABLE IV

CANADIAN EXPORTS TO ESCUDO AREA

	1960	1961
	(Can.$)	
Continental Portugal (including Azores and Madeira)	$3,336	$4,718
Mozambique	3,145	2,023
Angola	67	160
Portuguese Africa	279	241
Portuguese India	385	445
Portuguese Asia	93	59
Total	**$7,305**	**$7,646**

Exports to the Portuguese overseas provinces in the last two years and especially to Mozambique have decreased substantially. Total export trade, however, has increased from $7.3 to $7.6 million and the overall increase, though slight, is none the less encouraging, in view of the adverse conditions prevailing last year in the overseas provinces.

Total Canadian exports to Continental Portugal and its overseas provinces are given in Table IV. ●

Spain

★ All sectors of industry expanding; GNP up 3.7 per cent.

★ Some 75 per cent of Spanish imports now liberalized.

★ Canadian exports increased nearly $2 million last year.

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

THE Spanish economy made an impressive advance in 1961 and has continued to progress in 1962. The year 1961 opened on a hesitant note but confidence in the constructive policies of the Government developed quickly and by mid-year it was obvious that Spain had turned the corner and was on the upgrade. The administration has ample reason to be pleased with the results of the liberalization policy which it has been pursuing for the past two years.

The gross national product reached 498,000 million pesetas, or $304 per capita, a real increase of 3.7 per cent over 1960; industrial output rose by 5.6 per cent. The GNP per capita still falls below France ($1,100) West Germany ($1,000) and Belgium ($1,300).

All Sectors Expand

The expansion was notable in all sectors of industry and Spain appears to have overcome almost entirely its chronic shortages of electric power and basic raw materials. Electric power output rose in 1961 by 12 per cent over 1960, steel production by 21 per cent, cement by 17 per cent. There have been strong advances in the metallurgical and chemical industries also, which have rounded out the economy considerably. The motor industry expanded the most, however; production of private cars increased by 30 per cent, trucks, vans and jeeps by 56 per cent, and tractors by 32 per cent.

Unfortunately, the 1961 cereals harvest was even worse than the 1960 crop, itself 25 per cent below the 1957-59 average and the worst in the previous ten years. This partial crop failure necessitated large imports of wheat and other cereals. The 1962 crop was sown under favourable conditions and farmers expect a good harvest. The citrus crop (nearly all in now) has been one of the best ever; exports achieved a record total of well over one million metric tons.

The climate for foreign investment has changed dramatically and the first months of 1962 have witnessed many favourable developments. The foreign investment law was liberalized effective March 15 so that investors are now guaranteed the repatriation of their capital and dividends up to any amount. Dividends were formerly limited to 6 per cent of paid-up capital.

The banking law has been revised, thus loosening the grip of the commercial banks on many of Spain's important industries. The revised legislation now provides opportunities for foreign investors to participate in the purchase of shares of first-class companies. The power of the commercial banks is shown clearly by the fact that the directors of the six leading ones control 1,008 of Spain's important enterprises, involving half the entire capital of all Spanish joint-stock companies.

Foreign Investment Increases

Because of this liberalization, foreign investment has increased substantially, particularly in the first months of 1962, and equities on the Madrid stock exchange have recently risen sharply. Foreign investment interests have set up several investment trusts to buy Spanish securities and two leading United States banks have recently announced the opening of agency offices in Madrid. Foreigners have invested $110 million in Spain since September 1959 and applications are steadily increasing.

Investment from abroad in private property has been spectacular also, particularly on the Mediterranean coast, from the Costa Brava to Gibraltar. Foreign exchange coming into Spain for these purchases (not disclosed) must total a considerable amount. Property values in favoured spots on the coast have risen several times during the past fifteen months and the end is nowhere in sight. Building is booming and development projects are under way in many localities, financed largely by funds from abroad.

The tourist trade has set new records; 7.5 million visitors in 1961, a 22 per cent increase over 1960, brought in about $450 million in foreign exchange and the 1962 season promises to be even better, as nine million or more tourists are expected. Prices for accommodation and services are naturally on the increase and estimates put 1962 returns at more than $600 million. Given a reasonably good crop, foreign exchange reserves could pass the billion-dollar mark during the first half of this year. This situation is in sharp contrast to the depressed conditions two years ago.

U.S. Aid Decreases

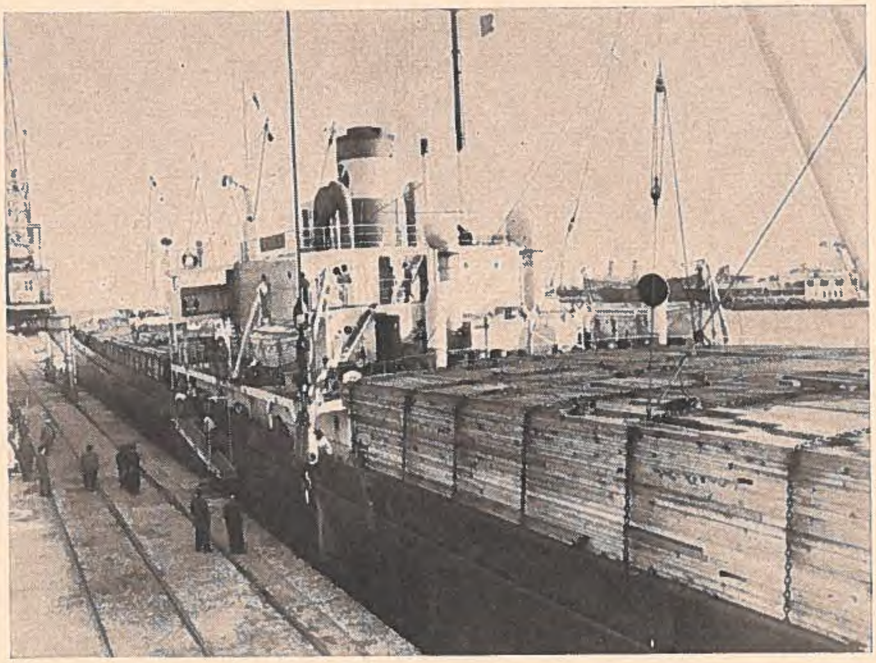
Spain stopped receiving grants from AID (Agency for International Development) June 30, much to the disappointment of the Spanish authorities. AID grants for this fiscal year amount to only $15 million but the total since the beginning of the program in October 1953 is about $1 billion. In military and economic aid together, Spain has received about $2 billion and EXIMBANK loans now exceed $300 million.

Officials directing the economic affairs of the country contend that aid should continue, even though Spain is getting on its feet. They say that the agricultural sector still requires financial assistance, more loans and irrigation projects are needed, and a few hundred million dollars more could be used to good advantage.

Spain continues to be relatively undeveloped compared with countries of the Common Market group. However, aid from the United States will probably continue in some form and long-term loans at low interest rates can be obtained from Germany and elsewhere.

Applies to Enter EEC

Spain made an exploratory request to join the Common Market on February 9, and press reaction both here and in the EEC countries has been generally favourable, although the Spaniards will have a good deal of economic houseclean-



The first shipment of timber from British Columbia to be sold to Spain is photographed ready for unloading at the port of Valencia. It consisted of hemlock lumber. Canadian pulpwood also sells well in the Spanish market; exports reached nearly $271,000 last year.

ing to do before membership is feasible. Sr. Ullastres, Minister of Commerce, is dedicated to the principle of economic integration with Western Europe and will proceed with negotiations with Common Market authorities with a view to full membership. The EEC absorbs nearly half of Spain's exports and Britain takes another 15 per cent, so that Spain must join the group or suffer serious damage to its export trade.

Foreign Trade

Spanish imports for 1961 totalled $1,092.3 million and exports $709.3 million, leaving a deficit of $383 million to be covered by tourist revenues. In 1959 there was a $293 million deficit on the balance of trade and in 1960 a $3.94 million surplus. The favourable balance in 1960 resulted largely from tight restrictions on imports because of business uncertainty. Nor were large wheat imports required until the second half of 1961.

Liberalization of imports has continued progressively. The sixth list published, effective February 9, 1962, brought liberalization of imports to 75 per cent of total trade. Further liberalization is anticipated. Canadian export opportunities have consequently improved and will improve further, though it is rather difficult to pinpoint special opportunities.

Canadian Sales Increase

Trade between Canada and Spain increased substantially in 1961. Canadian exports totalled $12,841,110, compared with $10,243,373 in 1960; Spanish shipments to Canada also increased and in 1961 totalled $8,542,987 compared with $6,947,261 for 1960 (DBS figures). Our principal exports for the last two years are listed in the table.

The bulk of our exports to Spain consist of basic raw materials and semi-manufactured goods, and the new exchange rate for the Canadian dollar improves prospects for these products. Spain is not a particularly good market for manufactured goods, but opportunities for specialized equipment certainly exist and should be carefully explored. Licensing agreements are favoured and openings may exist in this field also. The larger number of Canadian businessmen who visited Spain during 1961 was encouraging and this trend should continue. Firms contemplating the development of a market here might do well to consider a display in the Barcelona Samples Fair in June 1963.

Even a brief visit to Madrid conveys a picture of market possibilities in Spain that nothing else can provide. Madrid is linked directly with Montreal and Toronto by jet air service and it certainly merits a brief visit. It is also an excellent country in which to have an agreeable and inexpensive holiday. ●

TABLE I

PRINCIPAL CANADIAN EXPORTS TO SPAIN

	1960	1961
	(Can.$'000)	
Codfish	877.6	513.2
Aluminum in primary forms	3,047.7	1,451.0
Aluminum ores and concentrates	....	624.8
Aluminum scrap	....	49.7
Asbestos milled fibres	1,031.1	2,201.3
Drugs and chemicals	35.2	28.0
Synthetic rubber	594.2	906.5
Flaxseed	1,073.0	1,814.9
Sheet and strip steel, n.o.p.	198.9	193.8
Ammonium sulphate	225.0	....
Pulpwood	142.7	270.3
Canned hams	....	225.0
Copper scrap	227.304	464.7
Whole milk powder	....	117.2
Tractors and parts, n.e.s.	6.6	89.6
Engines, (aircraft, motor, etc.)	88.5	138.5
Scrap iron and steel, n.e.s.	253.9	726.6
Copper in ores	....	1,314.3
Cattle hides raw, hides and skins	34.9	156.5

Sweden

★ **Export market for timber and pulp weakened.**

★ **Engineering industry expanded, orders increased.**

★ **Demand for Canadian nickel, aluminum smaller.**

G. F. G. HUGHES, *Commercial Counsellor, Stockholm.*

THE rate of expansion of the Swedish economy, which took a marked upward turn in 1959, continued through 1960 and 1961. In the closing months of the year, however, the production growth rate slowed gradually and in some quarters (among others, the forest industries) certain difficulties in finding markets became evident. Extensive investments in the private sector of the economy contributed in a major way to the high level of activity through the year, as did the record increase of 6 per cent in private consumption—the largest since the forties. In the industrial field, investment increased by 13 per cent but production rose by only 4 per cent compared with 7 per cent in 1960. As in other parts of the western world, prices in 1961 remained reasonably stable. Despite a rise in the wage level of 8 per cent, the cost of living increased by little more than 2 per cent, implying a considerable increase in productivity and in real wages.

Exports continued to rise in 1961, with an increase of 7 per cent in value. For imports, the increase in value was less than 1 per cent. The balance of trade thus improved over 1960; the adverse balance totalled about Sw.Kr.1,000 million as against Sw.Kr.1,700 million in 1960.

The value of Sweden's exports to Canada rose from Sw.Kr.108.9 million in 1960 to Sw.Kr.116.4 million in 1961. Imports from Canada dropped slightly—from Sw.Kr.-107.1 million in 1960 to Sw.Kr. 102.0 million in 1961.

As net shipping receipts for the year are estimated at Sw.Kr.1,400 million, the balance on current account shows a surplus of well over Sw.Kr.400 million, compared with a deficit in 1960 of nearly Sw.Kr.600 million. The surplus in the balance of current account, taken together with various transactions with foreign countries that produced considerable amounts of foreign exchange, resulted in an increase in the foreign exchange reserves by Sw.Kr.902 million; at the end of 1961 they totalled Sw.Kr. 3,790 million.

TABLE I

EXPORTS AND IMPORTS OF CERTAIN AGRICULTURAL PRODUCTS

	1959		1960		1961	
	Exports	Imports	Exports	Imports	Exports	Imports
Vegetable Produce			(in thousands of tons)			
Wheat	86.2	163.6	124.4	95.1	215.3	109.5
Rye	2.2	67.9	1.4	59.9	55.7	110.1
Oats	6.9	123.8	8.1	65.8	130.2	0.3
Oilseed, oil content	15.6	40.1	10.0	45.5	2.0	55.3
Animal Produce						
Butter	4.2	2.6	11.8	0.0	8.6	1.0
Cheese	4.0	6.3	3.2	7.3	3.4	8.1
Eggs	11.1	0.2	9.8	0.5	4.4	2.7
Beef and pork	40.5	16.3	28.3	17.0	21.6	32.9

Agricultural Production Rises

Agricultural production in 1961 was nearly 3 per cent greater in volume than in 1960, because animal and crop production rose.

For the country as a whole, the harvest was better than normal, particularly in fodder grains which increased by 15 per cent, the largest crop on record. Bread grains dropped 4 per cent in volume but the quality improved over 1960. Excess fodder grains may well lead to an over-production of pork.

Milk, beef and pork production each increased by 1 per cent. Cattle stocks rose by 3 per cent and continuing the trend of the past ten years or more, the number of horses fell by 14,000 or 7 per cent. Tractors, as might be expected, increased by 5,000 to a total of 158,000. Combine harvesters increased greatly in number and at the end of the year Sweden had more than 25,000.

The decrease in the agricultural population continued during 1961; the number of persons engaged in agriculture declined by about 25,000—10,000 more than in both preceding years. Productivity is estimated to have risen by 3 to 4 per cent during the year.

Import levies on agricultural products were revised three times in 1961. In February they were raised by 11 per cent, when the rule that ensures the balance between agricultural and industrial wages was applied. Another rule, intended to neutralize changes in agricultural costs and world market prices, was applied in September and December. On both these occasions, falling world market prices caused the raising of import levies by 12 and 11 per cent respectively. Import levies thus rose by nearly 38 per cent during the year. Import levies and compensation charges on agricultural products now comprise, on an average, 54 per cent of import costs.

Industrial Expansion Slower

Industrial production rose by nearly 4 per cent as against 8 per cent in 1960, but the rise was concentrated in the capital goods sector, as it was last year; production of consumer goods incrcased relatively slowly. Against an increase of 5 per cent in capital goods industries, the consumer goods sector was up only 1 per cent.

The main reason for the slower rate of expansion was the stagnation in the pulp and timber industries caused by worsening market conditions abroad. Production of timber fell by 3 per cent after rising sharply in 1960. Pulp and paper production continued to increase but at a much slower rate than during the previous year. The development in the textiles and ready-made clothing industry was also less favourable than in 1960, and leather and shoe output continued to decline. Production in the foodstuffs industry remained practically unchanged.

Output of iron and steel increased at about the same rate as in 1960 but iron ore production rose somewhat less. In the engineering industry, the largest branch of industry in Sweden, production rose by 7½ per cent, or about as much as in 1960. A further expansion was hampered by shortage of labour.

Timber, Pulp and Paper

In the timber industry, competition hardened and market conditions deteriorated in 1961. In several customer countries, buyers' stocks had increased as a result of large imports during 1960. The worsening export conditions were mitigated by the brisk demand in the domestic market, but a decline in production and a rise in mill stocks could not be avoided. Prices of timber declined.

Exports of sawn and planed timber amounted to 969,000 standards, 11 per cent less than in the record year 1960. The value of exports fell by 6 per cent to just over Sw.Kr. 1,000 million. Exports to Britain, Sweden's biggest market for timber, dropped by 18 per cent to about 320,000 standards. Sales to Holland and Western Germany decreased and to Denmark and France increased. At the Crown Forest Auctions in 1961 only 65 per cent of the total offered for sale was sold, compared with 83 per cent in the autumn of 1960. Toward the end of the year buyers adopted a "wait and see" policy and this strengthened a tendency to stagnation in the industry.

Wallboard production increased by 5 per cent to about 630,000 tons but there was no corresponding increase in exports, which stood at 416,000 tons. Stocks therefore accumulated during the year despite a rise in domestic market consumption. There is concern about the move in the United States to increase duties on wallboard. If this increase is implemented, it would seriously affect the good market developed during the past decade.

The pulp market worsened considerably in 1961. Chemical pulp exports declined by 8 per cent, despite the maintenance of mechanical pulp exports at the same levels as in 1961. Total pulp exports reached about 2.7 million tons as against 2.9 million in 1960. Competition from the United States and Canada is blamed for much of the decrease, particularly in sales to South America. Scandinavian pulp manufacturers decided in November to cut back production accordingly, and it is generally conceded that it must be held below productive capacity (which has increased drastically during the past few years) until world consumption increases.

Paper exports rose by 8 per cent, with West Germany maintaining its position as the biggest market for Swedish paper.

Iron and Steel, Engineering

Despite a cutback toward the end of the year, Swedish exports of iron ore during 1961 amounted to 20.3 million tons, exceeding for the first time the 20-million-ton mark. Both production and exports of iron and steel continued to rise during the year. Competition became keen toward the end of the year and steel prices tended to fall, rather drastically for some types.

It is in the engineering field that Sweden continues to enjoy the greatest growth. Production rose by 8 per cent, exports by 16 per cent, and imports by 10 per cent over 1960. Expansion was particularly marked in the electrical engineering industry; the backlog of orders from both the home and export markets was larger than at the same time the previous year. The growth in imports reflected the lively investment activity in Sweden but with a slight slowing-down in investment toward the end of the year, the demand for engineering products may fall during 1962. The substantial backlog of orders for the export market, however, will go a long way toward maintaining the stability of the industry. With increasing exports, full employment in electrical and mechanical workshops is assured for some time.

The shipyards enjoyed one of their best years. During the year 750,000 gross tons of shipping were launched and a total of 749,000 tons delivered. Sixty-four per cent of tonnage delivered went to export markets; the best customer was Norway.

Textiles and Clothing

Demand for textile products rose considerably during 1961. A steep rise in imports and reduction of stocks, however, checked the rise in textile and clothing production at 1 per cent. Output of ready-made clothing reckoned in garments was 2 per cent higher than in 1960. A decline in imports of women's clothing was more than outweighed by increased imports of outdoor and men's wear and the total value of clothing imports went up by about 15 per cent. Exports of textile products rose sharply. The increase for woven goods was 40 per cent and for yarn 17 per cent, which raised the export value of these products from Sw.Kr.129 million in 1960 to Sw.Kr.177 million in 1961. Exports of clothing and knitwear increased by 49 per cent to Sw.Kr.93 million; knitwear exports more than doubled and equalled about 10 per cent of total production.

The development in the textile and ready-made clothing industries should be seen against the background of a substantial increase in the consumption of textile products. Total clothing consumption (including shoes), which constitutes about two thirds of the total textile consumption, rose by 10 per cent to 12 per cent. It should be observed, however, that the figure for 1960 was unusually low as a result of the buying rush at the end of 1959 before the enforcement of the 4.2 per cent turnover tax. A similar rush took place at the end of 1961, before this tax was raised to 6.4 per cent. It is expected, therefore, that the rise in demand will be considerably less in 1962.

Foreign Trade

Last year foreign trade expanded, but much more slowly than in 1960. Exports rose 4 per cent in volume compared with 13 per cent in 1960 and in value by 7 per cent to 14,200 million kronor. Imports increased in volume by only 1 per cent as against 18 per cent in the previous year and by 1 per cent in value also, to 15,100 million kronor. The various commodity groups showed divergent export trends. The strong investment boom in Europe stimulated exports of engineering products; exports of iron and steel also rose but the rate of increase slowed down as the year progressed. The market for forest products, particularly pulp and timber, weakened and demand for iron ore also declined.

One reason for the relatively slow rise in imports was probably the reduction in stocks of imported goods; the only marked rise in imports was in machinery. This was, however, offset by a considerable reduction in imports of aircraft and ships and of iron and steel. The proportion of Swedish exports that went to Western Europe rose during 1961; in contrast, exports to the United States and to the underdeveloped countries fell sharply. Exports to the Communist Bloc remained practically unchanged.

TABLE II
SWEDEN'S EXPORTS AND IMPORTS

	1960				1961			
	Million kronor		Per cent		Million kronor		Per cent	
EFTA countries combined	3,652		24.3		3,990		26.4	
Of which—Britain		1,950		13.0		2,132		14.1
Denmark		647		4.3		696		4.6
Norway		571		3.8		610		4.0
EEC countries combined	5,974		39.8		6,041		40.0	
Of which—West Germany		3,210		21.4		3,359		22.2
Netherlands		1,166		7.8		1,110		7.3
Eastern Europe	628		4.2		662		4.4	
Of which—U.S.S.R.		324		12.2		331		2.2
United States	1,887		12.6		1,718		11.4	
Canada	107		0.7		102		0.7	
Total, including all other countries	**15,006**		**100.0**		**15,117**		**100.0**	

Western Europe increased in importance as a source of imports, but imports from the United States decreased. Those from other countries remained about the same.

Exports to EFTA countries rose by 10 per cent and to EEC countries by 11 per cent. The development was thus fairly uniform, despite the fact that tariffs within EFTA were reduced by 30 per cent at the same time as West Germany and the Benelux countries increased their tariffs vis-à-vis non-member countries in order to adapt them to EEC's common external tariff. Sweden's imports from EFTA countries rose by 9 per cent, or slightly less than its exports to this area; imports from the EEC went up by only 1 per cent. There appears to be no easy explanation of the relationship between the drop in EFTA tariffs, the rise in EEC tariffs, and the changes in Sweden's imports and exports. (See Table II.)

Trade with Canada continued to show little change in pattern from previous years. Sweden's exports to Canada showed satisfactory growth, with an increase of Sw.Kr. 7 million over 1960. On the Canadian side, the encouraging increase in exports to Sweden from 1959 to 1960 was not maintained in 1961; they dropped from $20.9 million in 1960 to $17.6 million in 1961 because of smaller shipments of nickel and aluminum. One encouraging feature is that exports of manufactured goods were stable or increased.

The balance of payments improved considerably in 1961 and the trade deficit fell from Sw.Kr. 1,730 million to 950 million. Income from shipping yielded a surplus of Sw.Kr. 1,400 million and other services a deficit of 200 million. This resulted in a surplus of about Sw.Kr. 250 million on current balance, compared with a deficit of nearly Sw.Kr. 600 million in 1960.

Outlook for 1962

Continued expansion in foreign trade is forecast for 1962; the expected rise in the volume of exports is 6 per cent as against 4 per cent in 1961. Export prices will probably fall by 2 per cent and the value of exports should therefore rise at a slower rate than during 1961. Exports of engineering products are expected to go up sharply. For imports, a rise in volume of 5 per cent and a rise in prices of 1 per cent is anticipated. As export prices are expected to fall, the terms of trade will, according to the estimates, deteriorate by 3 per cent. The gradual abolition of tariffs within EEC and EFTA continues. At the beginning of 1962 the EEC countries reduced their mutual tariffs by a further 10 per cent and the total reduction now amounts to 40 per cent. The EFTA countries decided again to lower mutual tariffs by 10 per cent on March 1, 1962; this means that tariffs within this area have now also been cut by 40 per cent. ●

Fertilizers in Spain

DURING 1961, production of nitrogenous fertilizers in Spain totalled 611,500 tons (33 per cent more than in 1960) and was made up as follows: ammonium sulphate 411,700 tons (a 46.5 per cent increase), ammonium calcium nitrate 196,300 tons (up 16 per cent), and calcium cyanamide 3,500 tons (little variation). Main factors in the increase were the achievement of full production by the Compania Insular de Nitrogeno, the expansion of the Sefanitro and Nicas factories, and stepped-up output at the state-owned Empresa Nacional Colvo Sotelo. Imports of nitrogenous fertilizers totalled 816,000 tons; ammonium sulphate accounted for 460,000 tons, ammonium nitrosulphate 111,000, ammonium calcium nitrate 65,000, and nitrate of Chile 180,000.

Domestic output plus imports added to stocks on hand meant that 1.45 million tons were available for use during 1961, 21.2 per cent more than in 1960. More extensive sowing of short-cycle wheat during the spring of 1961 (to compensate for flood damage during the preceding autumn and winter) and increases in the acreage devoted to cotton and hybrid maize production accounted for the consumption increases. There were 890,000 tons of ammonium sulphate consumed (up 17.2 per cent over 1960), 382,600 tons of ammonium nitrosulphate and ammonium calcium nitrate (a 44 per cent increase), and 180,000 tons of calcium nitrate and nitrate of Chile (4.2 per cent).

Spain's calcium superphosphates industry is also growing. Present production capacity of 2.8 million tons a year should rise to 3.25 million in four or five years, following the overall extension, modernization and construction of factories that is now under way. Consumption from domestic output totalled 1.77 million tons in 1961 compared with 1.73 million in 1960. Exports stood at only 83,503 tons in 1961 and 53,321 tons in 1960, though an easing of government restrictions would probably increase foreign sales. Domestic and foreign trade in calcium phosphates, sulphuric acid and nitrate of soda—basic materials in the production of calcium superphosphates—is free of controls.

Consumption of potassium salts is mounting (to 172,000 tons in 1961), thanks to the continuing restoration of dry lands through irrigation and to an active campaign to persuade farmers to use more fertilizers.

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

Switzerland

★ **Measures taken to curb inflation early this year.**

★ **Imports, especially of capital goods, rose sharply in '61.**

★ **Smaller wheat purchases cut back Canadian sales.**

SHIRLEY G. MacDONALD, *Commercial Counsellor, Berne.*

SWITZERLAND registered record economic expansion again in 1961. Net national income, which achieved a high of Sw.Fr.34 billion (U.S.$7.9 billion) in 1960, reached 37 billion (U.S.$8.6 billion). Most industrial sectors made significant advances, building reached record figures, foreign trade broke all previous records, and tourist traffic and invisible trade also reached new highs.

These boom conditions carried with them certain negative features that created some uneasiness in both government and financial circles. Prices advanced sharply: the consumer prices index rose from 184.7 in December 1960 to 191.3 in December 1961, and reached 193 in the first quarter of the present year. The labour market was strained, with no unemployment—in fact, one quarter of the working population was drawn from other countries. The visible trade balance for the first time in ten years was unfavourable, especially with EEC countries and notably Germany. In consequence, with industry more than fully occupied, with a building boom that has been increasing sharply for several years, with rising prices and wages, and with the trade deficit growing larger and larger, the Swiss economy at the end of 1961 showed clear signs of inflationary tendencies. Therefore in the first quarter of 1962 not only government but also financial and industrial organizations have taken various measures to curb these tendencies before they reach runaway proportions.

The driving forces behind this over-expansion were investment activity and the sharp growth of private consumption. Demand from abroad did not increase at the same pace as in the previous year. Employment expanded considerably (the number of factory workers alone increased by 51,000 to 718,000 in the year ended September 1961). Foreign workers and employees totalled 548,000 in August 1961, the high point, a rise of 113,000 or 26 per cent from the record achieved in the same month of the previous year. This situation, despite various efforts to curb the rise, appears to be continuing in 1962; in February, normally the low point for foreign workers, the total was the same, presaging an advance to about 600,000 by August.

The increase in investment found its expression mainly in the continued building boom. Early in the year it was estimated that the building volume for 1961 would total Sw.Fr.8,563 million, or 25 per cent over the previous year. In the event, many of the projects could not be executed, despite higher mechanization and an increase in foreign workers. However, there was clearly an important advance over the previous year in both starts and completions in all sectors. Fiscal authorities are making strong efforts to keep this "construction explosion" within manageable proportions.

Government Finance

The financial position of the Federal Government has continued to reflect these years of over-all prosperity. Although a surplus of Sw.Fr.279 million was realized in 1960 when a deficit of Sw.Fr.15 million was anticipated, in 1961 the surplus reached Sw.Fr.328 million on a budget designed only to bring outgo into balance with income. In 1962, federal expenditures are expected to rise Sw.Fr.368 million over 1961 to a record Sw.Fr.3,426 million, and a surplus of income over expenditure of Sw.Fr.105 million is expected. Highway construction, the increased share of taxes going to the cantons, and subsidies (already high) are among the most important larger than usual or equal to 1961 expenditures anticipated. The federal or public debt was reduced in 1961 to Sw.Fr.5,737 million from Sw.Fr.5,910 million the previous year.

Capital Market

Swiss banking, like the money market, was chiefly influenced by the large influx of foreign capital, combined with the brisk domestic economic activity. Savings showed significant gains and commercial bank liabilities (to which such savings contributed) advanced some 13 per cent over those for 1960, when the influx surpassed all previous figures. Demand and time deposits increased importantly. The large inflow of capital coincided with an exceptionally heavy demand for credit, reflecting boom conditions. The rise by mid-year was so great that credit had to be restricted, especially in the mortgage field. This move has had some effect, as expected, on the expanded building activity planned for the year.

The capital market reached record heights and an exceptionally large volume of new issues was sold, to the record value of Sw.Fr. 2,356 million—almost double the new cash raised in the market in 1960, a previous record year. Offerings by foreign borrowers were heavy, especially in the first seven months. For the whole year, 24 foreign loans, mostly marketed between 4 and 5 per cent, absorbed a record total of Sw.Fr.960 million, an advance of 72 per cent over 1960. EEC and EFTA countries each absorbed about 40 per cent of these borrowings and the World Bank, as in other years, was an important borrower. As distinct from 1960, when several Canadian provincial issues were raised, there were none in 1961.

In short, the assets of Swiss banks, both domestic and with foreign correspondent banks, expanded considerably and their liquidity was not seriously threatened, despite the exceptional flow of capital funds, the expanded domestic economy, and the unfavourable foreign trade position. Nevertheless, the banks as the new year has advanced have felt these continuing pressures and have had to take action to ease them.

Foreign Trade

The increase in economic activity was apparent in the development of foreign trade in 1961. Imports (Sw.Fr.11,644 million) rose Sw.Fr.1,996 million or 20.7 per cent over 1960. Of this increase, finished goods (Sw.Fr.6,456 million) were up for the year by 29.7 per cent and imports of raw materials up 11.8 per cent (Sw.Fr. 3,400 million). The increase in finished goods resulted mainly from the big demand for capital goods and motor cars.

The value of imports of machines, instruments, apparatus and cars rose Sw.Fr.689 million, or 36.8 per cent. With the exception of the increase in automobile imports, which reflected the general prosperity, the advances were almost solely due to industrial expansion to meet the demand for Swiss industrial products, particularly in foreign countries.

Exports (Sw.Fr.8,822 million) advanced 8.5 per cent over 1960, when the increase was 11.8 per cent over 1959. This increase in 1961 stemmed chiefly from sales abroad of the metalworking, machine, chemical and watch industries.

Nine-tenths of Switzerland's increase in imports was in purchases from Europe. There was little change in the geographical distribution of exports nor did the division of Western Europe into two trading areas bring any decisive change in the flow of foreign trade. The exchange of goods with the countries of the EEC and with Switzerland's partners in EFTA both expanded.

Of total imports, 62.5 per cent came from the EEC, compared with 61.0 per cent in 1960, and 12.5 per cent from the other EFTA countries, compared with 11.7 per cent in the previous year. As in previous years, West Germany was the most important supplier and strengthened her position.

Exports to the Common Market countries rose from 40.9 to 41.5 per cent, and those to EFTA countries from 17.0 to 17.2 per cent. West Germany was also by far the most important market.

Table I, in addition to providing details on trade with both EEC and EFTA countries and with the rest of Europe, illustrates the part that North and South America, Asia, Africa and Australia play in Swiss international trade and the comparative unimportance generally of the Western Hemisphere and those other continental areas.

TABLE I

SWISS FOREIGN TRADE

	Imports 1960	Imports 1961	Exports 1960	Exports 1961
EUROPE		(million Swiss francs)		
EEC countries				
France	1,212	1,489	544	664
Italy	1,013	1,212	671	746
West Germany	2,841	3,664	1,493	1,578
Other EEC countries	824	918	620	670
Total, EEC	**5,890**	**7,283**	**3,328**	**3,658**
EFTA countries				
Austria	209	287	260	306
Britain	573	681	472	510
Sweden	175	249	233	266
Other EFTA countries	143	182	331	339
Total, EFTA	**1,100**	**1,399**	**1,296**	**1,421**
Rest of Europe	384	486	663	709
Total, Europe	**7,374**	**9,168**	**5,287**	**5,788**
AMERICA (North and South)				
Argentina	67	70	93	141
Brazil	48	54	109	104
Canada	171	157	142	143
Mexico	41	32	96	104
United States	1,096	1,199	807	817
Venezuela	6	6	95	84
Rest of America	212	231	238	265
Total, America	**1,641**	**1,749**	**1,580**	**1,658**
AFRICA	251	318	296	315
ASIA	354	384	814	910
AUSTRALIA AND OCEANIA	28	25	154	151
Grand Total	**9,648**	**11,644**	**8,131**	**8,822**

Canadian Trade

Canadian exports to Switzerland in 1961 totalled $22,422,140, a reduction in value from $26,443,-575, or about 16 per cent, compared with the previous year. This reduction in 1961 can be attributed almost entirely to the much smaller purchases of hard and durum wheats and primary forms of aluminum, and the complete elimination of important non-traditional trade in synthetic fibres, thread and yarn and in barley, all of which had a value of nearly $2 million in 1960. Except for aluminum, the trade in primary forms of nearly all other metals held up well and in several classes surpassed values for the previous year. Wood pulp and pulpwood showed advances and flaxseed, a new item, achieved some importance.

These changes in the volume of Canadian trade arose primarily from the continued high stocks of wheat in Switzerland, following four years of bumper or near-bumper crops in this country. Con-

(Continued on page 27)

Canadian Trade Missions Go to Europe

An important aspect of the Department's trade promotion program in Western Europe this year is the sending of trade missions to investigate markets for groups of products. Four missions which visited Europe earlier in the year are pictured on this page, hard at work on their assignments.

In the early spring, a Home Heating Equipment trade mission visited Britain, the Netherlands, West Germany, and France. Here four members of the mission are busy examining an electrical heating installation in the city of Glasgow.

At the famous Paris market, Les Halles, the Fruit and Vegetable Products Mission examines cases of Dutch "Majo" apples. This group's itinerary covered five countries—Britain, France, Germany, Belgium and the Netherlands.

The Electrical Appliances Mission sets out to visit the AB Electrolux plant in Motala, Sweden, early in April. It studied methods of manufacture and merchandising in this particular field in Britain, Norway, Sweden and the Netherlands.

The Canadian Iron Ore Mission to the six EEC countries confers with senior representatives of the steel industry in Belgium at the Belgian Iron and Steel Association offices. The mission spent three weeks in Europe in the month of May.

sequently, imports of both bread and durum wheat from Canada have been falling since 1959, a situation that will probably continue for some time, bearing in mind the agricultural production policies in effect in this country.

The fears of some Canadian exporters over market uncertainties when the first tariff reductions among the EFTA countries, including Switzerland, came into effect on July 1, 1960, seem to have been somewhat eased as the months have passed. However, with reductions of 30 per cent in 1961 and a further reduction to 40 per cent on July 1, 1962, expected, exporters of semi- and fully manufactured products will have to face very strong competition from the EFTA group, as well as from the EEC countries, as the trade pattern for 1961 clearly indicates.

Tables II and III, giving DBS figures, show the main commodities in Canadian-Swiss trade in 1960 and 1961. Canada's exports to Switzerland totalled $22.4 million, compared with $26.4 million in 1960 and $25.7 million in 1959. Our imports from Switzerland totalled $26.1 million, an advance from the $24.3 million in 1960 of more than 7 per cent and fractionally above the $24.5 million reached in 1959. Transhipments, times of shipments and arrivals, and third-country handling largely account for the apparent differences in value between Canadian and Swiss statistics. Both sets of statistics, however, indicate the fairly close balance of trade between the two countries. Until 1961, it was usually in Canada's favour.

It appears that the trend in the trade noted in 1961 may well continue this year, especially in wheat, with soft spots in some other commodities of importance. In consequence, there may be a further fall from the 1961 figure.

Imports from Switzerland are expected to remain at about the same level as last year.

The past year has witnessed a great deal of discussion in Switzerland on its future trade policy within the framework of traditional neutrality. The development taking place among the EEC countries, the proposed entry of her main EFTA partner, Britain, into that Community, and thereafter that of other non-neutral nations of EFTA are matters that are giving business, industrial, financial and government circles no little concern. These developments are causes for considerable preoccupation. However, until Britain's entry into the Common Market has been decided, Switzerland, while keeping fully abreast of developments, is steadily endeavouring to develop her markets everywhere on the basis of quality, design and price, but within a framework of production schedules that may reduce the strain on the domestic economy. Imports in some sectors may be encouraged to help with this problem. It is against such a backdrop, plus the side battens of EFTA tariff preferences and the aggressive salesmanship of various EEC countries, that Canadian exporters to Switzerland must perform in this and the next several years. ●

TABLE II

MAIN CANADIAN EXPORTS TO SWITZERLAND

	1960	1961
	(Can.$'000)	
Wheat except seed, n.e.s.	6,605.3	5,743.8
Copper bars, rods, shapes n.e.s.	....	3,476.6
Copper rods, strips, sheets	3,097.9	....
Copper ingots, bars and billets	486.1	....
Copper scrap, slag, skimmings	114.9	....
Durum wheat, except seed	3,334.5	1,244.0
Aluminum pigs, ingots and slabs	....	1,326.1
Aluminum in primary forms	3,692.2	....
Asbestos shorts, fibres, group 4-9, incl.	474.1	833.0
Woodpulp bleached sulphate	....	560.0
Woodpulp sulphate kraft bleached	482.2	....
Card punch machine, computing machines and parts	....	552.0
Bookkeeping calculating machines and parts	426.1	....
Plastics, synthetic rubber, not shaped n.e.s.	860.2	535.4
Pulpwood, balsam, fir, spruce peeled	50.0	440.5
Copper refinery shapes	....	377.4
Sheet and strip steel n.e.s.	32.2	365.6
Road motor vehicles n.e.s.	....	355.1
Motor vehicles n.o.p. and parts	299.2	....
Mink furs, undressed, ranch and wild	337.0	354.8
Zinc blocks, pigs and slabs	35.3	222.7
Rubber fabric materials n.e.s.	206.8	218.5
Bars, steel cold rolled	86.0	218.3
Radioactive elements isotopes	12.0	213.0
Bars, steel hot rolled	....	200.7

TABLE III

MAIN IMPORTS FROM SWITZERLAND INTO CANADA

	1960	1961
	(Can.$'000)	
Watch actions over one jewel	3,374.0	3,411.7
All other drugs, chemicals, n.o.p.	1,222.4	2,196.1
Aniline dyes one pound or over	1,462.3	1,867.4
Cheese	1,142.8	1,374.8
Watches over one jewel	1,210.4	1,027.0
Medicinal preparations dry	1,351.1	937.2
All machinery n.o.p. and parts	805.1	769.1
Switches, switchboards and parts	469.4	616.1
Watches one or no jewels	467.0	455.7
Domestic sewing machines	415.0	447.0
Yarn, cord and fabric machinery and parts	653.2	405.3
Hat braids not over 6 inches	276.0	405.2
Engineer and precision tools	296.5	362.5
Watch cases and parts	344.3	332.7
Ammunition n.o.p.	2.2	317.9

Yugoslavia

★ Drought affected 1961 crops, cut down exports.

★ New licensing system introduced; some imports liberalized.

★ Sales opportunities best for industrial raw materials.

PETER FREYSENG, *Assistant Commercial Secretary, Vienna.*

THE Yugoslav authorities were able in 1961 to complete the sweeping changes in the organization of the domestic economy and foreign trade started two years ago. Nevertheless, the year brought with it a shortage of foreign exchange, declining rates of production growth, and the cancellation or delaying of a number of investment projects. Both the reforms and the 1961 economic situation will influence prospects for Canadian exports to this potentially interesting but complex market for some time to come.

New Foreign Trade Regime

Last year the economy as a whole, and particularly foreign trade, functioned in a new administrative framework. Since 1952 Yugoslavia has been moving away from a centrally-planned economy to one where the State, instead of controlling production, prices and investment by direct regulation, merely lays down the broad lines of desired growth in a Development Plan drawn up annually, and confines itself to guiding market forces through monetary and credit controls. In 1961, banking and investment operations were further decentralized and greater freedom given to individual trading and production enterprises in pricing, salary and investment decisions. With the aim of increasing the efficiency of the national economy in the world market, the authorities abolished the previous system of multiple exchange rates and central distribution of all foreign exchange supplies, introduced a customs tariff, and established a new single rate of exchange of 750 dinars to the dollar* for commercial operations.

The local banks now sell foreign exchange to any firms requiring it, provided they can produce import licences issued in accordance with annually revised lists of goods published under the following headings.

- Free imports.
- Imports under liberal licensing.
- Imports under general licence up to a definite foreign exchange quota.
- Imports under restrictive licence.

Under this new licensing system, about a quarter of all imports are now liberalized (mainly raw materials, foodstuffs, and semi-manufactured goods), and a further fifth are subject to global allocations of foreign currency.

In addition to the restrictions in the licensing system, however, Yugoslav enterprises wishing to purchase capital equipment abroad must draw the necessary foreign exchange only through those banks authorized to hold investment funds. For equipment for large industrial projects, this generally means that the Central Investment Bank, as the holder or administrator of most of the country's investment funds, has to approve such foreign purchases. The authorities must also inspect foreign consumer durables in the country before their purchase and this in effect ties the import of such goods to their display at the major Yugoslav trade fairs. Some negative effects of the new reforms were both expected and evident in the economic situation in 1961 but they were by no means the determining factors.

Trade Deficit Large

Final estimates are not yet available but the balance on goods and services was worse than expected, despite higher returns from transportation and tourism, which appear to have produced a positive balance of 27 billion dinars in non-merchandise earnings. However, the commodity trade deficit alone reached 103.4 billion dinars, over a third greater than in 1960, although the total value of trade, 437.2 billion dinars, was 4.6 per cent above 1960 and within the 1961 Plan target. Foreign credits (including drawings on loans totalling $275 million made by a number of foreign countries and the IMF to support the currency reforms) and U.S. credits on surplus agricultural products bridged the gap.

Imports last year totalled 270.3 billion dinars, nearly 10 per cent above the previous postwar record of 248.0 billion dinars set in 1960. The authorities had expected an over-all rise in import values because of the pressures resulting from the new reforms. But they had hoped to reduce food imports and keep imports of industrial raw materials at roughly the same level as in previous years, thus allowing for an increase of some 10 per cent in imports of goods for consumption and imports of equipment. Instead, slower increases in domestic output of agricultural products and raw materials forced imports of foodstuffs up by 56 per cent and raw materials by 8 per cent. Imports of miscellaneous finished goods, mainly for personal consumption, rose by nearly 15 per cent.

The 10 per cent increase in imports consisted almost entirely of larger shipments from those countries with which Yugoslavia usually has large commodity deficits. Financed to a considerable degree by loans made for the Yugoslav monetary reforms and by agricultural

*The official rate of exchange is 300 dinars to the U.S. dollar and this is used in official Yugoslav statistics. However, the commercial rate at which Yugoslav importers buy dollars is now 750 dinars to the dollar.

surplus credits, United States exports to Yugoslavia more than doubled in value, reaching 54.1 billion dinars. The United States thus replaced Western Germany as Yugoslavia's main supplier, with 20 per cent of the total value of imports. The Common Market countries as a whole accounted for 36 per cent of imports and EFTA countries for 12 per cent. Imports from the Eastern European countries as a whole fell off by some 20 per cent and from Africa by 60 per cent. Imports from South America increased by a third.

Export Target Not Met

The main reason for the increase in the deficit on commodity trade was the failure of Yugoslav exporters to reach the target set in the 1961 Development Plan. Exports, at 166.9 billion dinars, were some 8 per cent below the plan target and 1.8 per cent less than in 1960, despite relatively steady world prices and markets for Yugoslav products. Smaller agricultural production caused a drop in exports of crops (particularly corn and tobacco) by some 27 per cent compared with 1960, and this was only made good by increasing exports of livestock by some 25 per cent. Industry too failed to achieve many of the set export targets. The non-ferrous metal, tobacco processing, leather, chemical and wood products industries all exported less, not because of weakened export markets, but because of the drop in domestic production.

Yugoslavia's chief suppliers and neighbours remained the main markets for its exports. Shipments to most West European and North American countries failed to cover imports, and among its largest trading partners only Britain, the U.S.S.R., and Poland bought more than they sold to Yugoslavia. Compared with 1960, exports to the Common Market countries as a whole declined by some 2 per cent, to Eastern Europe by nearly 9 per cent, and to South America by 24 per cent. Sales to the EFTA countries remained stable, to North America they rose by 5 per cent, and to Asia by 21 per cent. Western Europe took some 47 per cent of Yugoslavia's exports last year, Eastern Europe 30 per cent, North America 8 per cent and Africa, Asia and South America the remainder.

Industrial Growth Slow

The failure of a number of Yugoslav industries to achieve significant increases in key exports was a reflection of disappointingly slow rates of growth in domestic production. The Yugoslav social product† last year rose between 5 and 7 per cent over 1960 to a value of roughly 2,695.0 billion dinars. This growth was well below the planned increase of 12.5 per cent in the 1961 Development Plan, the 11.4 per cent increase foreseen in the new Five-Year Plan, and the average annual increase of 13.4 per cent achieved in the years 1956-60. Industrial production‡ (which accounted for some 45 per cent of the social product) rose by some 9 per cent over 1960 but this was considerably below the planned increase of 12 per cent and the annual average of 14 per cent for the period 1956-60.

The petroleum, pulp and paper, electrical equipment, building materials, chemicals, wood products, non-ferrous metals, and food-processing industries did achieve production increases ranging from 8 to 28 per cent over 1960, but most of these also were lower than Plan targets. These shortfalls in terms of planned production growth were particularly marked in metal products, textiles, foodstuffs, non-ferrous metals and wood products, because these taken together accounted for nearly half of the total value of industrial production and some 53 per cent of the value of exports.

The most important single factor influencing production in 1961 was the drought experienced last summer, which caused a drastic fall in agricultural output. The volume of agricultural production in 1961 fell some 6 per cent below 1960 and over 20 per cent below the 1961 Plan target. Some 3.4 million tons of wheat and rye were produced, 4.5 million tons of corn, and 2.0 million tons of sugar beet. Bread grain production was down some 26 per cent, corn output a third, and the sugar beet crop a quarter compared with average production in 1959-60. Meat and tobacco production declined only slightly and fruit crops remained about the same. In Yugoslavia, agriculture accounts annually for at least a quarter of the value of the social product, over 15 per cent of personal income, and some 10-20 per cent of the value of exports. Thus the sharp drop in the volume of agricultural production last year had an immediate effect on the economy, which is continuing into 1962.

Investment and Income

The partial liberalization of import controls and the decentralization of banking operations made it difficult for the authorities to control the use of domestic credit for both fixed investment and working capital throughout 1961. Contrary to expectations, the enterprises and communes gave priority to their investment projects, even at the risk of not retaining enough working capital. As a result, total gross capital investment (that is, including renewal investment) in fixed assets reached 1,050.0 billion dinars, 20 per cent above the level of last year in value and nearly 13 per cent above the nominal value called for in the 1961 Plan. Some 27 per cent of the total went into community investment**, and the remainder into industry and mining (37), transport (16), agriculture

†"Social product" corresponds to the Canadian GNP, except that it excludes the value of services not directly connected with the production, transportation or sale of material goods—such as education, health, defence, etc.

‡As used here, value of goods produced by industry and mining.

**What we would call public investment, mainly in public services.

(10), commerce (5), construction industry (2), and the rest into forestry and handicrafts. The unexpected growth of investment produced strong demands for imported equipment, as well as a general rise in domestic prices. These in turn lessened the inducement to export and made exports less competitive in world markets. In some enterprises, the shortages of working capital made it difficult to cover purchases of foreign exchange for imported raw materials, and hampered production schedules.

Canadian Trade

Reflecting Yugoslavia's economic difficulties, Canadian exports dropped 34.4 per cent from 1960 to $2.1 million last year. Shipments of aluminum and copper ceased altogether, but Yugoslav purchases of asbestos, aircraft parts and electronic equipment increased somewhat. Yugoslav shipments to Canada rose by 56 per cent to $1.7 million. Traditional Yugoslav shipments of nuts and bolts and burnt magnesia increased but sales of spices and hops fell off. Yugoslav exporters were successful in introducing furniture and sporting goods to the Canadian market.

Although the 1962 Development Plan calls for ambitious increases in production and exports, Canadian exporters can expect the Yugoslav foreign exchange position, particularly in dollars, to remain tight for the rest of the year. Despite the increased liberalization, the National Bank retains the right to approve all foreign exchange transactions and the Bank of Foreign Trade still executes all such transactions. It is also empowered to extend credits to Yugoslav enterprises for commercial activities that result in increased exports, including the import of specified items for further processing and re-export. This suggests that when foreign exchange is scarce, payments will be forthcoming first for those foreign industrial raw materials that further the production of the key Yugoslav export industries. The 1962 Plan has laid down that the most important task of the year is to increase the export of industrial products by nearly 20 per cent, and emphasizes increases in the export of ships, leather goods and textile products, wood products (particularly sawn wood and artificial wood panels), paper and paper products, rubber products, non-ferrous metals, machinery and chemicals.

Commodities Needed

Taken in conjunction with the lists of products announced for free or liberal import-licensing treatment in 1962, the planned emphasis on industries that export suggests that Canadian companies may find a market during 1962 for such industrial raw materials as pulp, hides and skins, synthetic rubber, flaxseed for processing, aluminum, asbestos, and possibly newsprint, as well as such chemicals as sulphur, flotation reagents, glues, dodecyl benzene for detergents, pharmaceutical raw materials, synthetic fibres and technical fats, despite the shortage of foreign exchange. Industrial raw material imports in 1962 should rise some 8 per cent above the 38.1 billion dinars achieved in 1961, according to the Plan.

Credit Terms Vital

Exporters may also find increased opportunities for machinery and equipment, provided they are willing to meet Yugoslav credit terms. For the fulfilment of the 1962 and long-term 1965 investment plans, the Yugoslavs will need iron and steel equipment, hydroelectric apparatus, mining equipment, pulp and paper machinery, construction equipment, automatic transportation-regulation instruments, and food processing and storage equipment. For agriculture, the recent development of a Yugoslav domestic variety of hybrid corn seed will reduce chances for Canadian seed exporters, but seeds for the development of high-yielding fodder crops such as soya may still find a market. The Yugoslavs are also interested in breeding cattle but credit terms of at least twelve months are required.

Yugoslav conditions are complex and exporters can only do business there by establishing close and constant contact with the market. They must quote standards in the metric system and provide c.i.f. Rijeka prices. At present, given the possibility of continued domestic credit restrictions, many Yugoslav firms will request 60- to 180-day terms (if not longer) for many products, including some industrial raw materials. Canadian exporters should ask for National or Foreign Trade Bank guarantees for all transactions involving terms other than irrevocable letter of credit.

The Outlook

The long-term 1961-65 Development Plan, into which the annual plans fit, suggests that Yugoslavia will become an increasingly attractive market for many Canadian products if targets can be achieved. The year 1961 revealed, however, that even after a decade of concentrated investment and industrialization, reducing the influence of crop fluctuations on the economy and the elimination of the commodity trade deficit remain the fundamental tasks facing the country in the years ahead.

Tours of Commodity Officers

ONE of the principal functions of the Commodities Branch is to maintain close liaison with the Canadian business community. This function is carried out by commodity specialists organized into divisions representing major industry groups.

In the course of their trade promotion efforts, these officers are required to undertake tours and to interview Canadian firms interested in export trade or needing the assistance of the Department of Trade and Commerce.

Any firm interested in meeting these commodity specialists should write to the Director of the Commodities Branch, Department of Trade and Commerce, indicating the products that it is anxious to sell abroad. The appropriate commodity officer will then undertake to interview the company on his next tour that includes the city.

Trading with Eastern Europe

Exporters who wish to do business with this area must acquaint themselves with how industrial and agricultural development is carried on and foreign trade conducted there.

R. K. THOMSON, *Commercial Counsellor, Vienna.*

CZECHOSLOVAKIA, Hungary, Bulgaria and Rumania, all of which are included in the territory of the Vienna office of Canada's Trade Commissioner Service, have been providing an increasing market for Canadian exports in recent years, as Table I shows.

The extent to which Canadian exports to these countries can be further expanded depends on the following:

• Their ability to earn convertible foreign exchange by increasing their exports to countries of the West, including Canada.

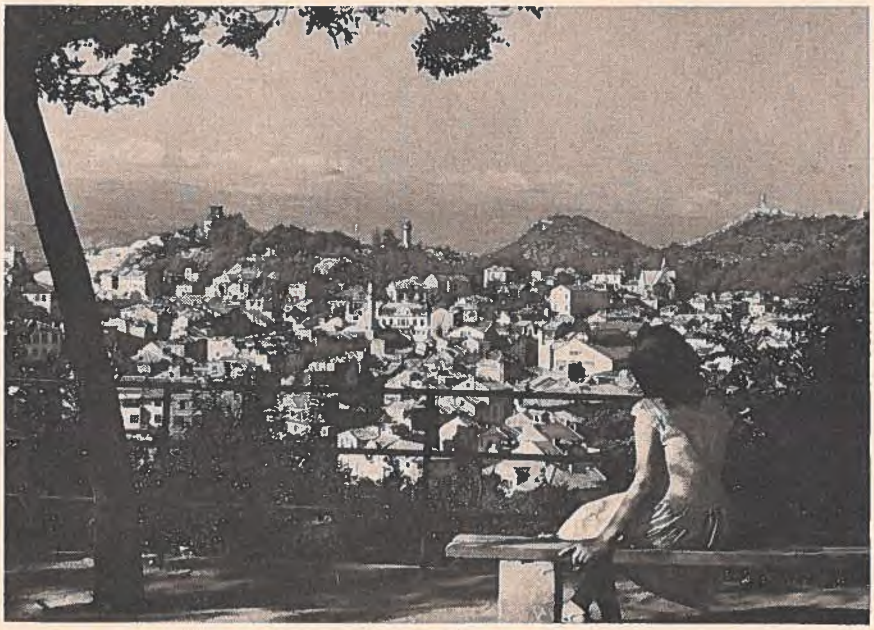
• The continuation of a policy of heavy industrialization in a region only moderately endowed with sources of raw materials and power.

• The continuation of agricultural policies that have made it difficult for farm production to keep up with domestic needs and export demands.

• The ability of the countries of the Eastern Bloc to co-ordinate the supply and production of raw materials, machinery and foodstuffs in the most economic way possible.

Although the ability of these countries to purchase from Canada in reality depends only upon their over-all supply of convertible foreign exchange, they prefer as a matter of trade policy to match their purchases from Canada with their exports to Canada. Czechoslovak exports have made considerable progress in the Canadian market, but Hungary, Bulgaria and Rumania are handicapped by their inability to offer a wider range of competitive products. And because Canada does not accord to them most-favoured-nation tariff treatment, their products enter at the highest rates of duty. Generally speaking, the foreign trade of all four countries is conducted almost exclusively within the framework of trade agreements with individual countries providing for the exchange of an agreed list of goods of equal value.

Among the recommended methods of selling in Eastern Europe is exhibiting at some of the large trade fairs held each year. In Bulgaria, the most important is the annual fair at Plovdiv, the old and picturesque city shown in the photograph.



Essential Goods Stressed

Because these countries consider the amount of foreign exchange available for Canadian imports to be restricted, their purchases from us are for the most part confined to essential products not readily obtainable elsewhere. Nevertheless, in the past few years they have shown increasing interest in a wider range of Canadian products, divided roughly into four categories: raw materials for industry such as metals, chemicals and asbestos; manufactured or semi-processed goods such as newsprint; highly technical equipment for the modernization or automation of production, and products for the mechanization and improvement of agriculture, such as newly developed agricultural machinery, seeds and breeding livestock.

Planning Brings Changes

The economy of each of these countries is directed through a Five Year Plan that provides general targets for all segments of the economy, with the objectives of developing and increasing production and improving living standards. Within these more general Five Year Plans, specific targets are set up each year. These Five Year Plans are changing the economic life of these four countries in various ways. The Bulgarian economy, for example, was fundamentally agricultural but is being diversified through the establishment and the development of industry. On the other hand, Czechoslovakia, which has always been intensively industrialized, is using its development plans to build up its engineering industry in particular. The plan is that by 1965 this industry will provide more than 50 per cent of the Czech exports. There is close collaboration between all four countries and with Poland and the U.S.S.R. to provide for the co-ordination of economic development through a Council of Mutual Economic Aid, to which these countries belong. An example of this co-ordination is the fact that 70 to 80 per cent of the trade of each country is conducted with its Eastern Bloc partners. All industry in these four countries is socialized or, in other words, owned and controlled by the state. Similarly, agriculture has been reorganized until almost all arable land is now farmed as collective or state farms.

TABLE I

Canadian Exports to	1957	1958	1959	1960	1961
			(Can.$'000,000)		
Czechoslovakia	1.42	1.36	4.95	6.76	20.62*
Hungary	0.29	0.38	1.12	.93	.56
Bulgaria	0.12	0.07	0.20	.50	.27
Rumania	0.43	1.17	1.16	1.30	1.04
Total	**2.26**	**2.98**	**7.43**	**9.49**	**21.45**

*Includes wheat to the value of $11.2 million.

Conducting Foreign Trade

Foreign trade is conducted as a state monopoly in each of these four countries. The government of each controls imports and exports through a general foreign trade plan co-ordinated with the over-all Five Year and annual plans. Trading is carried on by a small group of state-owned and operated foreign trade enterprises — usually less than twenty in each country— each of which is responsible for exports and imports of a particular group of commodities. These foreign trade enterprises are the only organizations that can place orders abroad for goods of any description and they are the sole export agents for the sale abroad of the country's products.

Most of these state trading enterprises are, of necessity, large and complicated organizations comparable in scope and in operation with substantial import/export firms in Canada or other Western countries. They are usually headed by a managing director and divided into several technical departments. Canadian exporters can usually depend on a friendly reception from any of these organizations and with them, as elsewhere, personal contact is by far the most effective method of introducing a new product. When discussing business either directly or by correspondence, a number of copies of trade literature, specifications and price lists should be made available to enable wider circulation within the enterprise and through it to the end-users, whether these are factories or other institutions. Correspondence with these trade enterprises can be conducted in English, French, or other principal languages.

The exporter should realize that these trade organizations are, in effect, buying for a producing factory, wholesale distributing organization, or end-user somewhere in the country. It is sometimes possible for Canadian businessmen to achieve direct contact not only with the trade enterprise but also with the end-users; in this way technical salesmanship can be made more effective. It is also possible to reach customers directly in some of these countries by advertising in technical journals published in either Czechoslovak, Hungarian or other appropriate languages. Trade fairs held annually in Brno, Czechoslovakia, in Budapest, Hungary, and in Plovdiv, Bulgaria, are another means of introducing and advertising products.

The Commercial Counsellor and Assistant Commercial Secretary, Canadian Embassy, Vienna, travel regularly to these four countries. Canadian importers and exporters interested in initiating or extending trade contacts in Czechoslovakia, Hungary, Rumania and Bulgaria or who wish to obtain further information on trade with them are invited to contact the Commercial Division, Canadian Embassy, Vienna.

The brief reports on the four countries that follow are based largely on published information and statistics made available by the country concerned.

Bulgaria—Agricultural production decreased, industry expanded last year.

BULGARIA was until recent years almost completely agricultural. However, the Development Plans have assigned high priority to the establishment and expansion of industry, particularly plants using domestic raw materials. In 1961, according to reports published by the Bulgarian Government, the industrial sector had a successful year. Industrial production increased by 9.9 per cent over 1960 and a number of new enterprises began functioning or were expanded and re-equipped. These included a major expansion of the Bulgarian iron and steel industry, the establishment of an oil refinery, and the commissioning of a number of new electrical power stations. Heavy industry receives the highest priority, with particular importance accorded to metal produc-

TRADE WITH BULGARIA

	1957	1958	1959	1960	1961
	(Can.$'000,000)				
Canadian exports to Bulgaria	.11	.07	.20	.49	.27
Canadian imports from Bulgaria	.0002	.004	.006	.006	.02

tion, oil processing, the manufacture of fertilizers, and electric power. The tourist industry, which is becoming an increasingly important foreign exchange earner, is receiving special attention. In particular, the resorts on the Black Sea coast are getting modern hotels and similar amenities.

For agriculture, 1961 was a very disappointing year. Heavy and destructive rain early in the year and a prolonged drought later in the summer resulted in smaller harvests of most crops compared with 1960. It is understood that food grain and fodder production suffered particularly. A good part of the development funds for the agricultural sector are being used for mechanization and irrigation.

Bulgarian foreign trade in 1961 is reported as good and 10 per cent higher in value than in the previous year. Approximately 80 per cent of the country's trade is conducted with the Communist Bloc but Bulgaria maintains trade relations with many other countries. Its main trading partners outside the Communist Bloc include West Germany, Austria, Italy, France and Britain. In general, its principal exports consist of fresh and preserved agricultural products; however, an increasing quantity of chemicals, machinery and other manufactures have been included in exports in recent years. Bulgarian imports consist mainly of raw materials for industry, machinery and equipment.

Canadian trade with Bulgaria has so far been modest, as the accompanying table indicates.

However, a Bulgarian trade delegation visited Canada a year ago and expressed optimism about the prospects for an increase of trade between the two countries. It also indicated interest in a variety of Canadian products, including aluminum, newsprint, tinplate and steel products, farm machinery, chemicals, seeds, cattle and other breeding stock.

— R. K. THOMSON,
Commercial Counsellor, Vienna.

Czechoslovakia—Industrial expansion slower last year.

CZECHOSLOVAKIA is one of Canada's most important trade partners in Eastern Europe and trade between the two countries has been expanding steadily. The accompanying table gives an indication of this trade increase in the past five years.

In 1961, for the first time in five years, Czechoslovakia bought Canadian wheat to the value of approximately $11 million and this accounted for the major share of its purchases from Canada during the year. Other products bought in some volume included asbestos, chemicals, aluminum, nickel, hides and skins, hybrid corn seed and animal and poultry breeding stock.

Czechoslovakia is the most industrially advanced of the Eastern European countries and since the end of the war industrialization has been intensified, with the emphasis on the development of heavy industry, particularly metallurgical and engineering. The expansion of the chemical industry has also been given priority. According to Czechoslovak statistics, industrial production has been increasing in the last several years by approximately 10 per cent a year. There is reason to believe, however, that this figure has been levelling off to some extent and it is understood that the rate of industrial expansion was slower in 1961 and progress less than expected. For an industrially advanced country, Czechoslovakia does not possess many raw material resources and imports the bulk of requirements for industry.

In 1961, Czechoslovakia began a new Five Year plan. Although the targets set for the year are expected to have been fulfilled to the extent of 98.8 per cent, it is apparent that there were some weaknesses in both industry and agriculture. A shortage of skilled workers handicapped industry, particularly in the mining, construction and metallurgical fields. This led to insufficient production of coal and the output of steel and rolled products was less than expected, causing specific shortages that handicapped the engineering branches to some extent. In the chemical industry, progress and development were reported as satisfactory.

Although Czechoslovakia's agriculture has decreased in relative importance in recent years, crops in 1961 were on the whole disappointing. The country will never produce sufficient wheat for its needs but the bread grain harvest was said to be better than usual. The bad weather affecting crops in Central and Eastern Europe generally resulted in certain decreases in agricultural production, although the total area seeded and planted was reported to be smaller than in

TRADE WITH CZECHOSLOVAKIA

	1957	1958	1959	1960	1961
	(Can.$'000,000)				
Canadian exports to Czechoslovakia	1.42	1.36	4.94	6.77	20.62
Canadian imports from Czechoslovakia	5.05	4.95	6.44	6.65	8.40

the previous year. Czech agriculture, which previously was accorded less importance by the authorities, is now receiving much more attention. Investment in agriculture during the year increased, with some 41 per cent of funds available devoted to mechanization—vitally necessary because of the increasing shortage of labour. In the past several months, the Czech consumer has run into shortages of meat, eggs and potatoes.

In 1961 Czechoslovakia's foreign trade rose 9 per cent in value over the previous year; 54.1 per cent of Czech imports was accounted for by fuel and industrial raw materials. Some 70 per cent of Czech trade was conducted with other Communist states; other principal suppliers were West Germany, Britain, Austria, Switzerland and the Netherlands.

—R. K. THOMSON,
Commercial Counsellor, Vienna.

Hungary—New Five Year Plan initiated last year.

HUNGARY offers an expanding market for Canadian products, particularly industrial raw materials. In the early years of this century, its economy was predominantly agricultural and it supplied a considerable part of the foodstuffs needed by the former Austro-Hungarian Empire. However, since the turn of the century and particularly in the past twenty years the economy has altered considerably and heavy and light industry now predominate. Because Hungary has few mineral or other resources, most raw materials for its growing industry must be secured from other countries and paid for from the proceeds of its exports of processed agricultural products and manufactured goods.

The table below gives an indication of the level of Canadian trade with Hungary in the past five years.

Principal Canadian exports to Hungary include the following: nickel, copper scrap, asbestos, chemicals and medical preparations, office machinery, hides and skins, wool rags and waste, and poultry breeding stock. Hungarian importers who have visited Canada in recent years have expressed the opinion that Hungary can increase imports from Canada both in variety and volume. The current problem is that Hungary, as all other Eastern European countries, is restricted in its Canadian purchases by its dollar earnings in Canada which so far have been modest.

Hungary's principal trading partners are the Soviet Union, East Germany and Czechoslovakia. In fact, approximately 70 per cent of its trade is conducted with other Communist countries. Nevertheless, it is understood that Hungarian trade plans envisage increased trade with the West to secure a wider range of sources of necessary raw materials. Among Hungary's principal trading partners in the West are West Germany, Austria, Britain, Italy and Switzerland. In 1961 Hungary's export trade plans were successfully fulfilled. Of interest is the fact that exports of consumer goods increased from 17.8 to 20.6 per cent of total exports by value.

In 1961 Hungary achieved a rate of industrial expansion 12 per cent higher than in the previous year and in most areas exceeded ambitious production targets. The chemical, electrical and precision engineering industries showed the greatest growth. Output of such products as telecommunications equipment, plastics and pharmaceuticals increased substantially, as did the production of bauxite, which is largely exported. Industrial output was maintained throughout 1961 at virtually full capacity.

In agriculture, however, Hungary faced a number of problems in 1961. The bread grain harvest was reported to be good, mainly as the result of improved seed, increased mechanization and better supplies of fertilizers. However, yields of other crops declined—particularly animal feedstuffs and root crops such as potatoes and sugar beets—the result of a long spell of dry weather and some trouble with pests and plant diseases. Dislocations resulting from the collectivization of agricultural land may also have had some influence. The year 1961 was the first of virtually complete collectivization—about 95 per cent of Hungary's arable land is now operated either as collective or state farms. A further problem facing Hungarian agriculture is the decrease in the farm population, which has dropped from 50 to 32 per cent of the population in the past fifteen years. The farm labour shortage is expected to be overcome in the future by mechanization. Substantial imports of tractors and agricultural machinery are coming from the U.S.S.R., Czechoslovakia and Poland.

New Five Year Plan

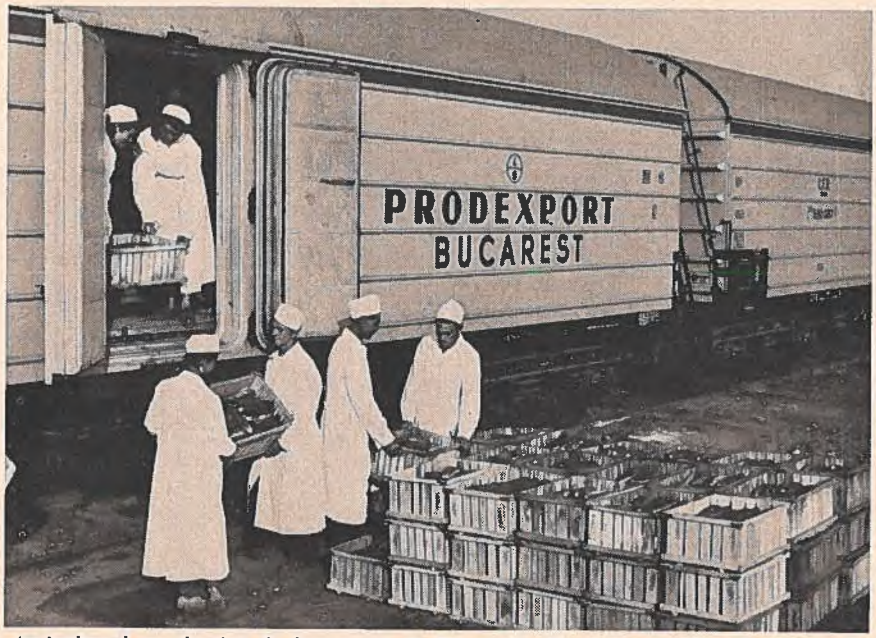
In 1961 Hungary embarked on a new Five Year Plan for economic expansion. One of the principal targets is an increase of 36 per cent in national income by the end of 1965. Of the funds to be invested during this period, 48 per cent will be allocated to industry and 18 per cent to agriculture. Industrial production is expected to increase by about 50 per cent and agricultural production by about 23 per cent. The chemical industry is expected to show the greatest expansion, with

TRADE WITH HUNGARY

	1957	1958	1959	1960	1961
	(Can.$'000,000)				
Canadian exports to Hungary	0.29	.39	1.11	.93	.56
Canadian imports from Hungary	0.41	0.81	.30	.33	.35

an increase in fertilizer output as the largest single item. In the engineering field, the precision engineering industry, the manufacture of telecommunications equipment and the machine tool industries are expected to show major production increases. The target increase for the food industry at the end of the five year period is estimated at 43 per cent. Targets have also been set up for Hungary's foreign trade in the new Five Year Plan; these provide for an export increase of 61 per cent and an import increase of 33 per cent by the end of 1965.

—R. K. THOMSON,
Commercial Counsellor, Vienna



Agricultural production is important to Rumania. Fresh vegetables, for example, are shipped to foreign markets by Fructexport, one of the state-trading enterprises.

Rumania—Imports from Western Europe up last year.

RUMANIA is fortunate in having a wide range of raw materials, of which the leading one is oil. Rumanian agriculture is also important and contributes substantially to production and trade. The principal objective of the planners in the years since the end of the war has been to expand industry, particularly that based on raw material resources. The consequent development of industry has been significant. The year 1961 was, on the whole, a successful one for Rumania and the rate of over-all economic expansion is reported to have risen over 1960. Construction and industrial growth generally increased, with the greatest expansion in the iron and steel, engineering, chemical and textile industries. All of these expanded by at least 20 per cent in comparison with 1960.

In 1961 Rumanian agriculture was affected by unstable weather and yields, particularly of root crops and fruit, were smaller. The corn crop was good although the area planted was smaller and yields less. Plans for mechanization were further advanced during 1961 by the larger supply of tractors and combine harvesters. Serious attention is being paid to increasing the effectiveness of Rumanian agricultural production and the import of Canadian breeding stock and seed is perhaps one evidence of this.

Rumania's current economic development is guided by a new Five Year Plan based on the years 1961-1965. This Plan provides that the volume of trade should double by 1965. Increasing industrialization and a consequent increase in the variety of products available for export are the planned ways of accomplishing this. In 1961 Rumanian exports are reported to have increased 10 per cent, principally because of larger sales of engineering and chemical products, both relatively new industries.

Most of Rumania's trade is conducted through bilateral trade agreements with other countries, and approximately 70 per cent of her total trade is carried on with other Communist countries. However, West Germany, France, Italy, Britain and Austria are important trading partners and imports in 1961 from these countries are reported to have increased by nearly 70 per cent. Canadian exports to Rumania have been considerably greater in volume than our imports of Rumanian goods, although total exports for 1961 were slightly lower than in 1960. The accompanying table shows the pattern of Canadian-Rumanian trade in the past five years.

Principal Canadian products exported to Rumania included wool rags and waste, nickel, aluminum ingot, plastics and synthetic rubber, hybrid seed corn, purebred cattle and swine, and breeding poultry.

—R. K. THOMSON,
Commercial Counsellor, Vienna.

TRADE WITH RUMANIA

	1957	1958	1959	1960	1961
	(Can.$'000,000)				
Canadian exports to Rumania	.43	1.17	1.16	1.33	1.04
Canadian imports from Rumania	.0002	.004	.03	.08	.26

U.S.S.R.

★ Production of chemicals, engineering equipment expanding.

★ New two-column tariff introduced in 1961.

★ Canada's sales up sharply last year, with wheat in lead.

R. V. N. GORDON, *Commercial Counsellor, Moscow.*

THE SOVIET UNION continued to report a rapid rate of industrial expansion in 1961, with an over-all advance of 9.2 per cent compared with 1960. The chemical and engineering industries were in the van, with increases of 14 to 16 per cent respectively over 1960 production. However, these were the only fields in which the rate of expansion was greater than in the previous year and all other industries in 1961 experienced slower growth. Although industrial production was generally satisfactory, agricultural output in the Soviet Union in 1961 proved disappointing, in spite of an increase of about 2 per cent over 1960 in the harvest of cereals.

The objectives set in the Seven Year Plan, which ends in 1965, were not met, principally because of adverse weather in various parts of the country. Droughts in Siberia and Kazakhstan cut production in these areas; good weather in the Ukraine resulted in the only bumper crop in the U.S.S.R. last year. Yields of corn improved, almost equalling the 1959 harvest, and the sunflower seed crop was good. A larger area (29 per cent) was planted to sugar beet than in 1960 but no production figures have been published. Imports of cane sugar have been large and presumably a considerable part of the sugar beet crop was used as animal feed.

Production of meat and dairy products has shown little improvement since 1959, although smaller deliveries in 1961 may have resulted from holding animals from slaughter to increase their market weight. The accompanying table gives the results of meat and dairy products procurement as published in the *Economic Survey of Europe 1961*, prepared by the secretariat of the Economic Commission for Europe.

1962 Plans and Prospects

Economic targets for 1962 under the Soviet Annual Plan were outlined at the Fifth Supreme Soviet meeting in December of last year. Under the 1962 Plan, total gross industrial production is scheduled to rise 8.1 per cent. Great emphasis is still placed on the heavy industry group but an increase of 6.6 per cent in production of consumer goods is also envisaged.

Planned output of steel is to rise by about 8 per cent to 77 million tons. Chemicals and synthetics production is to be emphasized and the increase in the output of artificial and synthetic fibres and of fertilizers is estimated at 12 per cent. Investment in capital goods appears to have slowed down somewhat, in line with the decision taken at the XXII Congress of the Communist Party last October to concentrate on finishing existing projects rather than starting new ones. Although information on investment plans is scarce, textiles, clothing and footwear will benefit from a substantial increase in investment funds.

Because of disappointing results last year in agricultural production, a special plenum was held in March of this year. At this plenum, it was decided to abandon the grass rotation or "travopolye" system of crop rotation introduced during Stalin's regime, and adopt a multiple-crop system with more intensive application of fertilizer. In addition, administrative changes were made as a result of a decision taken at the plenum increasing the centralization of control over agriculture.

Targets for agriculture in 1962 include increases of 22 per cent in the production of grain, 13 per cent for cotton, 10 per cent for cattle and 14 per cent for milk. Whether these objectives can be achieved in view of the difficulties encountered in increasing Soviet agricultural production remains to be seen.

Trade Increase Smaller

In October of 1961 the Soviet Union introduced a new two-column tariff replacing the former single-column tariff. This followed similar action by Hungary earlier

TABLE I

PROCUREMENT, MEAT AND DAIRY PRODUCTS

	Total Output 1959	1960	1961	Percentage Increase 1960 to 1961 Actual	Planned
	(millions of tons)				
Meat	8.9	8.7	8.7*	*	18
Milk	61.7	61.7	62.5	1.3	13
Eggs	25.6	27.4	28.9	5.0	13
State Procurements					
Meat	7.5	7.9	7.6	—4	18
Milk	25.0	26.3	28.3	7.7	7
Eggs	5.7	6.5	7.4	13.7	12
Wool	0.35	0.36	0.37	2.8	10

Sources: Statistical yearbooks, plans and plan fulfilment reports.

*The plan fulfilment report records "a slight increase over the 1960 level".

in the year. The new tariff provides for minimum rates of duty to be applied to countries that accord the Soviet Union most-favoured-nation treatment. These minimum rates apply to imports of Canadian goods, because the terms of the Canada-U.S.S.R. Trade Agreement provide for m.f.n. rates of duty on Soviet goods exported to Canada.

The foreign trade of the U.S.S.R. increased in 1961, but only by about 4 per cent, one of the smallest increases in the postwar period. A possible explanation for this slowdown is a smaller volume of trade with Communist China, because of Chinese economic difficulties and the recent ideological differences between the two countries. Trade with Western European countries reached a record but showed a smaller percentage increase than in 1960. Soviet exports to West European countries increased by about 13 per cent, and Soviet imports from Western Europe about 8 per cent. The total value of Soviet exports to Western Europe in 1961, according to the trade statistics of West European countries, reached $990.3 million. Britain, the leading Soviet customer, imported $255.3 million worth of Soviet goods. West Germany was the leading West European exporter to the Soviet Union, with shipments totalling $226.5 million in 1961.

Trade with Canada

As noted above, trade between Canada and the Soviet Union is carried on under a trade agreement that was renewed in 1960. It runs for three years and will expire April 1, 1963. Under the agreement, the Soviet Union undertakes to buy, up to a total of $25 million a year, twice as much from Canada as she sells in this country. Half of the total Soviet purchases are to be wheat. Canada, for her part, extends m.f.n. tariff treatment to the Soviet Union. And because Canada is an open market, there are no quantitative restrictions on the goods the Soviets may sell here.

Canadian exports to the Soviet Union in 1961 reached $24.3 million as against $8.2 million in 1960 and $12.6 million in 1959. Imports into Canada from Soviet sources totalled $2.4 million in 1961, compared with $3.2 million in 1960 (not including substantial indirect imports—furs, for example.) Principal Canadian shipments were wheat, livestock, synthetic rubber, nickel and machinery. Imports into Canada from the Soviet Union consisted mainly of furs, benzol, window glass, some phonograph records, photographic film, and toys.

Because the U.S.S.R. is a state-trading economy, selling methods differ somewhat from those usually employed in free enterprise countries. Consequently, Canadians who are exporting to the U.S.S.R. for the first time are strongly advised to contact the Canadian Commercial Counsellor in Moscow.

WE regret that there is no report on Poland in this issue but we expect to publish one in August.

TRANSPORTATION NOTES

Australia

AIR CARGO SERVICE—A new air cargo company to operate throughout Australia and the world has been formed by Birt & Company (Pty.) Ltd., P. & O. -Orient Lines of Australia Pty. Limited, and Brambles Industries Limited. This company, Bramair International Pty. Ltd., will specialize in a complete coverage of air freight, both pick-up and delivery, on a door-to-door basis to any part of the world. Import-export arrangements and handling services for Australian and overseas firms will also be provided. The company is associated with E.M.G. Air Services Ltd., of London, England, and Transair System, Inc., in the United States—Sydney.

ROAD DEVELOPMENT—Australia will spend A£950 million on road development during the next five years. Spending during the last 10 years has totalled A£1,080 million. Major road-construction projects planned include new "beef" roads, mainly in Queensland, which will help transport cattle from the interior to coastal meatworks for export—Sydney.

Bahrain

NEW PORT—Up-to-date shipping facilities are now available at Bahrain's new port, Mina Sulman, opened on May 31 by the ruler of Bahrain. Features of the port are: entrance 3½ miles long with a minimum depth of 27 feet, lighted beacons and leading marks in the channel, and six berths served with water and telephone. Warehouses provide 250,000 square feet of covered storage space and 300,000 square feet of outside storage—Beirut.

Brazil

SHIPBUILDING—The Brazilian shipbuilding industry built 17 large ships in 1961 and achieved a total output of almost 70,000 deadweight tons. By the end of 1961, new orders totalling 27,000 deadweight tons had already been placed with national shipyards; other orders, particularly for oil tankers, are expected during 1962. The President of the Merchant Marine Commission has announced that by the end of 1962 Brazil will have the capacity to build supertankers of 45,000 deadweight tons—Rio de Janeiro.

Central America

ROAD CONSTRUCTION—Efforts are being made to improve the highway network among Central American countries. Costa Rica has recently obtained an $11 million loan from the World Bank and the Inter-American Development Bank to finance a comprehensive national highway plan. In Nicaragua, the Development Loan Fund and the Export-Import Bank have loaned $9.1 million to finance completion of an American highway and to improve internal access roads. An ambitious program is also under way in Guatemala, where an $18 million loan has been obtained from the Export-Import Bank and the Development Loan Fund for the construction of new highways to El Salvador and Honduras—Guatemala City.

Iraq

MERCHANT MARINE—The Iraqi Government intends to establish a merchant marine totalling 130,000 tons. Eight million dinars (about Can.$24.5 million) will be appropriated for this purpose over the next five years. Two 8,200-ton freighters have already been completed in Japan and will be delivered to the Iraqi Maritime Transport Company this summer—Beirut.

Italy

NEW SUPERLINERS FOR ATLANTIC—Two new superliners for the Italia line, the *Michelangelo* and the *Raffaello,* will be launched before the end of 1962 and will start service on the Italy-United States run in the spring of 1964. The San Marco shipyards of the Cantieri Riuniti dell'Adriatico at Trieste is building one and the Ansaldo shipyards at Genova-Sestri the other. Each liner will have a gross tonnage of 43,000 tons and will be over 900 feet long, over 100 feet wide, and over 70 feet high. Each will be capable of an average speed of 27 miles and a maximum speed of over 29 miles an hour, enabling them to reach New York in seven days, a saving of over 24 hours on present schedules. They will carry 1,850 passengers (530 first class, 466 cabin class and 854 tourist class) and a crew of 720. The liners will be equipped with a Denny Brown stabilizer—Rome.

RAILWAY ROLLING STOCK—A new railway rolling stock factory is being built near Reggio Calabria by Societa' OMECA (Officine Meccaniche Calabresi), with financial participation by Finmeccanica (government-controlled financial holding concern for mechanical industries) and FIAT. The factory will open in 1963 and reach full capacity within two or three years. At first, production will be mainly freight cars, but the plant is also equipped to build passenger cars and engines later on, in compliance with Italian State Railway programs.

Eventually, output will average 10 to 15 railway cars per day, with a total value of about 8 billion lire (almost $13 million) a year—Rome.

Jordan

AQABA PORT EXPANSION—The Aqaba port quay is to be expanded to handle three vessels at a time and warehouses will be built. Estimated cost of 1,350 million dinars will be covered by a loan from the West German Government. Negotiations between the Jordanian Government and a German firm have been concluded and it is expected that work will begin within the next month—Beirut.

Lebanon

BEIRUT HARBOUR—A Greek firm, Archimedes, is to undertake construction of a third basin for Beirut port. Work will begin in September and is scheduled to be finished in four years. The contract for $12 million is one of the major projects under the 1962-67 Development Plan in Lebanon. It is estimated that the capacity of the port, which now handles about two million tons of cargo a year, will be more than doubled —Beirut.

Norway

MERCHANT FLEET—According to the Norwegian Central Bureau of Statistics, the net increase in tonnage of the Norwegian merchant fleet during the fourth quarter of 1961 totalled 86,000 gross tons, compared with increases of 211,000 gross tons in the third quarter, 323,000 in the second, and 177,000 in the first. On December 31, 1961, the fleet consisted of 2,235 ships totalling 11,706,000 gross tons, of which tankers accounted for approximately 6,445,000—Oslo.

Portugal

NEW AIRCRAFT—Transportes Aereos Portugueses has purchased from the French company Sud-Aviation three *Caravelles* for its flights to Europe and the adjacent islands, with an option on the purchase of a fourth one. The three aircraft, including their Rolls Royce engines and initial spare parts, cost 446,000 contos, approximately Can.$16,056,000. Crews and mechanics from TAP have been sent to France for training—Lisbon.

South Africa

SHIPPING—The latest statistics from *Lloyd's Register of Shipping* show that South Africa has 144 steam and motor vessels with a total of over 260,000 gross tons —Johannesburg.

Spain

RAILWAY PROGRAM—A new five-year program for the renovation and development of the Spanish railways to the same level as the rest of Europe has been approved; it will cost 24,000 million pesetas. It is expected that this amount will rise to 37,319 million pesetas by the end of the program. Some 14,000 million pesetas will be spent on 135 new diesel engines (including 30 "Tafs" and 6 "Talgos"), 200 rail cars, 200 baggage cars and 4,075 transport cars.

The roadbed of 8,700 kilometers will be renewed and 4,327 kilometers electrified. Construction of new stations and modernization of old ones will also be carried out—Madrid.

Sweden

OXELOSUND PORT EXTENDED—The port of Oxelösund on the Baltic coast south of Stockholm is to be rebuilt and extended. The Grängesberg Company will invest about Kr.25 million ($5 million) over the next three years in the project. Grängesberg operates a big steelworks for heavy plate at Oxelösund and uses the harbour as the main shipping port for iron ore from its mines in central Sweden.

Under the scheme the harbour will be deepened to 13.7 metres. A new ocean quay 400 metres long will be able to accommodate two 35,000-ton ore carriers at the same time. Depth will be sufficient for a ship of 60,000 tons—Stockholm.

Switzerland

RAILWAY TRAFFIC—The Swiss Federal Railways carried 5.7 million more passengers and 1.4 million tons more freight in 1961 than in 1960. Its excess of income over expenditure rose from Sw.Fr.296.9 million in 1960 to Sw.Fr.333.7 million in 1961. Because of its favourable financial position, the company proposes to carry out a modernization program over the next ten years at an annual cost of about Sw.Fr.300 million, and to double the endowment capital of Sw.Fr.400 million —Berne.

RHINE SHIPPING—Traffic figures for 1961, though satisfactory, were not up to the record level of 1960. Total merchandise handled at the Rhine port of Basle fell by 145,000 tons to 6,817,493 tons. The proportion of total Swiss exports and imports passing through the port declined from 36.9 per cent in 1960 to 32.8 in 1961. A rather long period of low water in autumn and early winter probably caused the traffic fall-off—Berne.

TRADE COMMISSIONERS ON TOUR

In Canada

J. E. MONTGOMERY, Assistant Commercial Secretary in The Hague, Netherlands:

Vancouver—July 16-19 Victoria—July 20

Businessmen who would like to see Mr. Montgomery should get in touch with him at the Department of Trade and Commerce in Vancouver and at the Department of Industrial Development, Trade and Commerce in Victoria. When he completes his tour and leave, he will return to The Hague.

In Territory

R. A. BULL, Commercial Secretary in Bogotá, Colombia, will visit Quito and Guayaquil, Ecuador, August 13-24.

G. L. GAGNE, Assistant Commercial Secretary in Santiago, Chile, will visit Talca, Concepción, Valdivia, Osorno, and Puerto Montt July 9-21.

R. H. GAYNER, Vice Consul and Acting Trade Commissioner in São Paulo, Brazil, will visit Curitiba, Florianopolis, Porto Alegre pulp and paper mill installations and hydroelectric projects, beginning July 23.

K. O. HILLYER, Acting Trade Commissioner in Singapore, will visit Kuala Lumpur, Federation of Malaya, August 15-16.

B. A. MACDONALD, Commercial Counsellor in Athens, Greece, will visit Cyprus from July 13-20.

J. R. MIDWINTER, Commercial Secretary in Santiago, Chile, will visit Coquimbo, Antofagasta, Chuquicamata, Arica and Iquique August 13-25.

W. D. WALLACE, Commercial Counsellor in Caracas, Venezuela, will visit Curacao and Aruba from July 25 to August 1.

Businessmen who would like these officers to undertake assignments for them should get in touch with them at their posts as soon as possible. Write to Mr. Bull at Bogotá, Mr. Gagne and Mr. Midwinter at Santiago, Mr. Gayner at São Paulo, Mr. Hillyer at Singapore, Mr. Macdonald at Athens and Mr. Wallace at Caracas.

FOREIGN TARIFFS AND TRADE REGULATIONS

Austria

NEW TEMPORARY ANTI-DUMPING LEGISLATION INTRODUCED—To prevent dumping of imported goods, which may cause or threaten to cause serious injury to total production or to an important part of domestic production of articles which are like or of a similar nature, the Austrian Government is authorized by Federal Law No. 145 of May 23, 1962, to publish a list of such goods. The listed goods will be subject to anti-dumping duties. The law specifies that a case of dumping is established when imported goods are brought into the Austrian market at a price which is "lower than their normal price" or when the imported goods receive direct or indirect subsidies for their production or export in the country of origin (of production). The term "lower than the normal price" is described as meaning a price at least 8 per cent below the level of world prices recorded at a commodity exchange or, if there is no such record, at least 20 per cent below the comparative price of like or similar goods sold in the country of origin.

Anti-dumping duties may also be imposed on goods the import price of which is abnormally low. In this category belong goods of which the imported price is 20 per cent below the average (comparable) price of like or similar goods which are produced in countries with adequate wage levels and sold there.

The anti-dumping duty amounts to the difference between the normal and the dumping price. Its rate is assessed in accordance with detailed provisions contained in the law.

The law on anti-dumping duties has temporary effect and is valid until December 31, 1964. The decrees containing lists of goods subject to anti-dumping provisions will be published later and will be valid for not more than one year.

A translation of the original German text of Law No. 145 may be obtained from the International Trade Relations Branch.

Cyprus

IMPORT CONTROLS LIBERALIZED—By an Open General Import Licence issued by the Minister of Commerce and Industry on May 17, 1962, Cyprus has effected a widespread liberalization of its import controls. With certain exceptions, the licence grants to any Cypriot importer the right to import in any quantity any goods from any country.

The exceptions are listed in a schedule attached to the OGIL. They number 51 commodities or groups of commodities. Of these, the ones of immediate importance to Canada are:

Wheat and spelt
Barley, unmilled
Flour of wheat
Wooden boxes, cases, crates, and parts thereof
Builders' woodwork, (doors, windows, parquet flooring, etc.)
Cardboard and paper, boxes, containers and cartons
Machinery of various kinds
Hosiery
Footwear

The Director General of the Ministry of Commerce and Industry, Nicosia, has advised that even for these excepted commodities not covered by the OGIL, import licences will normally be granted on special application.

A second schedule attached to the OGIL indicates that it does not apply to the following countries: Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, United Arab Republic, Albania, U.S.S.R., East Germany, and Communist China.

The schedule explains that these are countries with which the Republic of Cyprus has either concluded trade agreements of a "clearing type", or has made or intends to make other trade arrangements.

A report on the general economic and trade outlook in Cyprus appeared in the February 24, 1962, issue of *Foreign Trade*.

The Commercial Counsellor in Athens will visit Cyprus from July 13 to 20, 1962—Athens.

Dominican Republic

ADDITIONAL TAX INCREASED—The additional tax on imports has been increased to 24 per cent of the f.o.b. value, our Santo Domingo office reports. This increase is effective immediately and will remain in force until December 31, 1962. Because the previous level of this tax was 23 per cent, the increase amounts to 1 per cent.

IMPORTS OF SEEDS DUTY FREE—Our Trade Commissioner in Santo Domingo advises that a law promulgated on June 10th exempts seeds from all duties and taxes. To obtain this exemption, the importer must solicit permission from the Secretariat of Agriculture indicating the use to which the seeds will be put.

India

IMPORT RESTRICTIONS INTENSIFIED—Our Commercial Counsellor in New Delhi has advised that the Indian Government has recently announced a further tightening in import controls. Specific steps outlined are:

1. Quotas for established importers have been further reduced by 50 per cent and the minimum face value of their licences has been halved. Annual licences have also been reduced by 50 per cent and licences already granted have been summoned back for the above modifications.
2. Free resources licences issued to actual users will also be curtailed, each case to be considered on its merits, but subject to foreign exchange availability.
3. Entitlement of consumer co-operative societies has also been reduced by 50 per cent.

The situation is to be reviewed again by the end of September and supplementary licences issued whereever necessary, but again depending on foreign exchange availability.

Mexico

GOODS SUBJECT TO PRIOR IMPORT LICENCES—By decrees published in the Mexican *Diaro Oficial* of May 31 and June 9, 1962, the following items of interest to Canadian exporters are now subject to prior import licences:

Mexican Tariff No.	Description
734.00.02	Fuses and fuse plugs for electric installations, weighing up to 100 grams each.
741.00.00	Endless belts for machines, woven from animal fibres.
741.00.02	Endless belts for machines, of copper or copper alloy cloth, more than 150 cm. in width.
741.00.03	Belts, other than endless, for machines, woven from animal fibres.
741.00.09	Belts, endless or otherwise, woven from any kind of fibre, more than 150 cm. in width, if proved to be for use with paperboard or papermaking machines.

Before placing firm orders for these goods, Mexican importers are now required to obtain a permit from the Mexican Ministry of Industry and Commerce.

Pakistan

IMPORT POLICY ANNOUNCED—Pakistan's recently announced import policy for the period July-December 1962 indicates no major shifts in the country's foreign trade policy. The new controls maintain the fairly liberal pattern of licensing. The number of items on the importable list has been raised from 173 to 178, with the addition of food colours; gramophone parts and accessories thereof, needles, record-changers, and record players; electric accessories; electric instruments, apparatus and appliances, and building and engineering material other than that made of iron or wood.

The list of items importable under Open General Licence has been increased from 48 to 49 with the inclusion of building and engineering material. In addition, imports under Open General Licence will be stepped up by the provision of higher minimum units admissible for chemicals of all sorts, soda ash (East Pakistan), drugs and medicines, ball roller and taper bearings, and cinematographic films, unexposed. The 14 items on automatic licensing remain as before.

The list of industries entitled to automatic licensing for most of the raw materials and equipment they need has been increased from 36 to 52. (See *Foreign Trade* February 10, 1962). The new industries included are: alkatra; ager batti, asphalt and bitumen; country boat-making; conch shell making; Gl pan manufacturing; matches (blue paper restricted); relief maps; stoves; shoe lasts; starch; school chalk; sealing wax; umbrella sticks and walking sticks; readymade garments and tricycles and go-carts. These industries will receive initial and repeat licences at 100 per cent of assessed single shift capacity for raw materials and spare parts.

The movement to link imports to exports through the Export Bonus Voucher scheme has been extended with the addition of four new industries to the present list of 31. These 35 industries will now receive additional import licences at 100 per cent of the job value of export orders.

United States

TARIFF CUTS EFFECTIVE JULY 1—The United States has announced that the first stage of the tariff reductions which it negotiated at the 1960-61 Tariff Conference will come into force on July 1, 1962. The second or final stage will occur one year later, on July 1, 1963.

The results of this Tariff Conference were published in the April 21st and May 5th issues of *Foreign Trade*, but it was not known then when the United States tariff reductions listed would become effective.

Further details are available from the United States Division, International Trade Relations Branch, Department of Trade and Commerce, upon request.

Help for the Business Traveller

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

If you are travelling abroad on business and think the Trade Commissioner might assist you, you should give early notice of your trip to the Trade Commissioner Service of the Department of Trade and Commerce in Ottawa. Give the Service your itinerary and say whether you would like the Trade Commissioners in the countries you will visit to collect information in advance of your arrival, to arrange appointments, or to assist in other ways. If you prefer, you may write directly to these officers at their posts asking for their co-operation.

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

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

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

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

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

For conversion to United States dollar equivalent multiply by .924588.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent June 29	Units per Canadian dollar	Notes (See below)
Argentina	Peso		.008450	118.34	
Austria	Schilling		.04191	23.86	
Australia	Pound		2.4302	.4115	
Bahamas	Pound		3.0377	.3292	
Belgium and Luxembourg	Franc		.02174	46.00	
Bermuda	Pound		3.0377	.3292	
Bolivia	Potosi	Free	♯	♯	
Brazil	Cruzeiro	Free	.003051	327.76	
		Special Category	†	†	
Britain	Pound		3.0377	.3292	
British Guiana	Dollar		.6329	1.58	
British Honduras	Dollar		.7594	1.32	
Burma	Kyat		.2271	4.40	
Ceylon	Rupee		.2278	4.39	
Chile	Escudo	Bank rate	1.0281	.9727	
		Free	.6288	1.59	
Colombia	Peso	Certificate	.1614	6.19	
Congo, Republic of	Franc		.02174	46.00	
Costa Rica	Colon		.1633	6.12	
Cuba	Peso		‡	‡	
Czechoslovakia	Koruna		.1502	6.66	
Denmark	Krone		.1570	6.37	
Dominican Republic	Peso		1.0816	.9245	
Ecuador	Sucre	Official	.06009	16.64	
		Free	.04732	21.13	
El Salvador	Colon		.4326	2.31	
Fiji	Pound		2.7367	.3654	
Finland	Markka		.003380	295.82	
France, Monaco, etc.	New Franc		.2207	4.53	(1)
Franco-African Republics, etc.	Franc		.004414	226.55	(2)
French Pacific	Franc		.01214	82.37	(3)
Germany	D Mark		.2710	3.69	
Ghana	Pound		3.0377	.3292	
Greece	Drachma		.03605	27.74	
Guatemala	Quetzal		1.0816	.9245	
Haiti	Gourde		.2163	4.62	
Honduras	Lempira		.5408	1.85	
Hong Kong	Dollar	Free*	.1901	5.26	*June 8
		Official	.1899	5.26	
Iceland	Krona	Official	.02515	39.76	(4)
India	Rupee		.2278	4.39	
Indonesia	Rupiah	Official	.02403	41.61	(4)
Iran	Rial		.01428	70.04	
Iraq	Dinar		3.0284	.3302	

♯No quotation available.
†Exchange auctions will be held each week for limited amounts of exchange.
‡There is no trading in Cuban pesos in U.S. or Canadian banks at present.
*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent June 29	Units per Canadian dollar	Notes (See below)
Ireland	Pound		3.0377	.3292	
Israel	Pound		.3605	2.77	
Italy	Lira		.001743	573.72	
Japan	Yen		.003005	332.78	
Lebanon	Pound	Free	.3418	2.92	
Mexico	Peso		.08653	11.58	
Morocco	Dirham		.2217	4.51	
Netherlands	Florin		.3010	3.32	
Netherlands Antilles	Florin		.5735	1.74	
New Zealand	Pound		3.0170	.3314	
Nicaragua	Cordoba	Effective buying	.1545	6.47	
		Official selling	.1534	6.52	
Nigeria	Pound		3.0377	.3292	
Norway	Krone		.1515	8.60	
Pakistan	Rupee		.2278	4.39	
Panama	Balboa		1.0816	.9245	
Paraguay	Guarani	Official	.008766	114.08	
Peru	Sol		.04032	24.80	
Philippines	Peso	Free	.2785	3.59	
Portugal & Colonies	Escudo		.03762	26.58	(5)
Republic of South Africa	Rand		1.5189	.6584	
Singapore and Malaya	Straits Dollar		.3544	2.82	
Spain and Dependencies	Peseta		.01803	55.47	
Sweden	Krona		.2103	4.75	
Switzerland	Franc		.2506	3.99	
Syria	Pound	Free	.3201	3.31	
Thailand	Baht	Free	.05116	19.55	(4)
Tunisia	Dinar		2.6066	.3836	
Turkey	Lira		.1202	8.32	(4)
United Arab Republic	Pound	Official	‡	‡	
United States	Dollar		1.0815	.924588	
Uruguay	Peso	Free	.09868	10.13	
Venezuela	Bolivar	Free	.2384	4.19	
		Official	.3226	3.10	
West Indies	Dollar		.6329	1.58	(6)
	Pound		3.0377	.3292	(7)
Yugoslavia	Dinar	Official	.001442	693.48	

‡No quotation available.

Notes

1. New franc is also used in Algeria, French Guiana, Guadeloupe and Martinique.
2. Chad, Central African Republic, Congo, Dahomey, Gabon, Ivory Coast, Mali, Islamic Republic of Mauritania, Niger, Senegal, Upper Volta, Cameroons, Togoland, and Malagasy. Also Reunion, Comoro Islands, St. Pierre and Miquelon.
3. New Caledonia, New Hebrides, French Polynesia.
4. Additional rates are in effect.
5. Portugal: approximately same rate for Portuguese territories in Africa.
6. Barbados, Trinidad, Tobago, Leeward and Windward Islands.
7. Jamaica.

Markets in Brief

POLAND

Area: 120,650 square miles.

Population: 29,361,000 (December 1960).

Climate: moderate; coastal regions and west considerably warmer than central regions and east. Rainfall, mostly in summer, averages 24-28 inches in plains and 48 inches in foothills and mountains.

Topography: averages 770 feet above sea level; highest point Rysy mountain 7,581 feet.

Language: Polish.

Currency: Zloty; one zloty=U.S.$0.25. This is an arbitrary exchange rate because the zloty is not quoted on the foreign exchange market.

Weights and measures: metric system.

Capital: Warsaw.

Chief ports: Szczecin, Gdynia, Gdansk.

Marketing centres: Warsaw (population in thousands)—1,136, Lodz 708, Krakow 479, Wroclaw 429, Poznan 408, Gdansk 286, Szczecin 269, Katowice 269, Bydgoszcz 231, Zabrze 189, Bytom 182, Lublin 181, Czestochowa 164, Gdynia 150.

Economy: agriculture, despite low efficiency, still mainstay of economy. Primary industries being modernized; secondary industry developing rapidly. Natural resources—largest per capita area of arable land in Western Europe, coal, salt, sulphur, pottery clay, zinc, lead, copper.

Total Polish imports: 1961—U.S. $1,688 million; 1960—U.S. $1,495 million.

Chief imports: (per cent) 1960—raw materials for heavy industry 23, for light and building industries 17.3, transport and other equipment 16.4, agricultural foodstuffs 16, machinery 11.7, fuel 7.6, industrial consumer goods 5.4, supplies for agriculture, 1.8.

Chief suppliers: (per cent) 1960—Soviet Bloc countries 62.9, others 37.1; U.S.S.R. 31.1, German Democratic Republic 12.5, Czechoslovakia 8.5, Britain 5.9, United States 5.6, German Federal Republic 4.7, Hungary 3.1, Communist China 3.1, Canada 1.1.

Value of imports from Canada: 1961—Can.$41,163,512; 1960—Can.$16,664,909.

Chief imports from Canada: wheat, copper refinery shapes, synthetic fibres and waste, plastics, synthetic rubber, flaxseed, hides, asbestos, aluminum.

Total Polish exports: 1961—U.S.$1,505 million; 1960—U.S.$1,325.5 million.

Chief exports: (per cent) 1960—coal and coke 20.2, agricultural foodstuffs 18.1, equipment 13.6, iron and zinc 11.1, industrial consumer goods 10.1, ships 6.6, rolling stock 4.4, machinery and complete plants 3.5, wood and paper 2.6, metalworking machine tools 0.9.

Chief markets: (per cent) 1960—Soviet Bloc countries 62.3, others 37.7; U.S.S.R. 29.4, German Democratic Republic 9.4, Czechoslovakia 8.5, Britain 7.5, German Federal Republic 5.6, Communist China 3.8, Hungary 3.5, Yugoslavia 2.8, United States 2.4, Italy 2.3, Austria 2.2, Canada 0.2.

Value of Canadian purchases: 1961—Can.$3,194,156; 1960—Can.$1,870,635 (D.B.S. figures).

Chief Canadian purchases: 1960—textiles, furs, bicycles, glass, wire nails, fruit pulp, seeds.

Dollar exchange: all imports are under government control; dollar imports can be made only if exchange available or credit can be arranged.

Prices: quote in Canadian or United States dollars, f.o.b. Canadian port.

Samples: must be declared on entering the country, except when they are requested by a Polish state trading firm. Unsold samples leaving the country within six months pay no duty. If samples retained by state trading firm, a receipt is issued and no duty paid. If neither samples nor receipt can be produced, duty must be paid. Duty must be paid on samples leaving the country after more than six months.

Trade agreements: associate member of GATT; most-favoured-nation agreement with Canada.

Import controls, documentation, customs tariffs, marking and labelling: consult the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

Correspondence: airmail only; letters 15 cents per half ounce.

For detailed information on this market write to:

European Division
International Trade Relations Branch
Department of Trade and Commerce
Ottawa

or

Commercial Counsellor
Canadian Embassy
2 Prinsesse Maries Allé
Copenhagen V, Denmark

Can I sell electronic products in West Germany...

CANADIAN CONSULATE
CONSULAT DU CANADA

Bismarckstrasse 95
(P.O. Box 2102)
4 DUESSELDORF 1

June 26, 1962.

Mr. A. Lert,
President,
Canadian Electronics Company,
Montreal, Canada.

Dear Mr. Lert:

I was interested to learn from your letter of June 12th of the success your company has had in developing electronically operated labour-saving devices for Canadian industries and of your desire to expand the sale of your products to Continental Europe.

You couldn't have picked a better time to tackle the German market. For the past few years there has been a shortage of labour here and industrialists have been obliged to install automatic equipment wherever possible. They are constantly looking for electronic measuring, testing and counting devices that can save labour--and I gather from your letter that these are things you can supply.

Your idea of first writing to prospective distributors and then following up with a personal visit to those interested is the best possible approach to this market. To help you get started, I am enclosing a list of five of the larger and more experienced electronic distributors in Germany to whom you may wish to send prices (preferably c.i.f. German ports) and descriptive literature. All of them can provide the servicing your products will need.

A favourite means of bringing buyers and sellers together in Germany is the trade fair and once you have decided on an agent you should plan to participate in the Hannover Fair which has a very large section devoted to electronics. The first three firms on the attached list had stands at the last Hannover Fair and if you should conclude an agency agreement with one of them they might be willing to display your products in their booths.

It was good to hear from you and I hope you will keep me informed of your progress so that I can follow up if necessary. I know that my colleagues in other Trade Commissioner posts in Europe will be glad to help if you are interested in their territory.

Yours faithfully,

Howard E Campbell

Howard E. Campbell
Consul

Trade and Commerce Can Help You