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FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA

Canada's Trade with Europe in 1963

European Trading Arrangements

Current Conditions in 14 Western European Countries

FOREIGN TRADE

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Canada's Trade with Europe in 1963

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Our leading article discusses economic trends in Europe last year—with emphasis on the reluctance to stimulate further expansion, the growth in intra-European trade, and the attack on trade barriers—and analyzes the effect of these upon the volume and the pattern of our exports to both Eastern and Western Europe.

European Trading Arrangements

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Our European Division briefs Foreign Trade readers on developments within the EEC and EFTA during the past year, including tariff reductions, the common agricultural policy, relations with the associated overseas countries, and proposals for the coming negotiations under the General Agreement on Tariffs and Trade.

Current Conditions in Western Europe

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Trade Commissioners stationed in 13 European capitals look back over 1963, report on economic progress and problems in their territories, discuss how these affected our trade, and look briefly at the sales prospects in the months ahead.

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Canada's Trade

**These men head
our posts in Europe**



C. J. Van Tighem
Austria



L. H. Ausman
Belgium



K. Nyenhuis
Denmark



R. Campbell Smith
France



B. A. Macdonald
Greece



P. V. McLane
Ireland



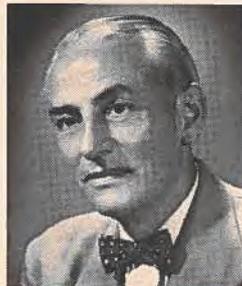
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D. A. B. Marshall
The Netherlands



J. E. P. Lancaster
Norway



T. J. Monty
Portugal



M. T. Stewart
Spain



G. A. Browne
Sweden



S. G. MacDonald
Switzerland



H. J. Horne
West Germany

FOREIGN TRADE

with Europe in 1963

Canada sold \$680 million worth of goods to Western Europe and \$45 million worth to Eastern Europe last year, thanks to continued European prosperity and reduction of restrictions on trade. Larger shipments of manufactured goods helped to compensate for sluggish demand for more basic products in Western Europe, and wheat contracts boosted trade with the Eastern Bloc.

G. W. GREEN, *Chief, European Division, Office of Trade Relations and Trade Policy.*

THERE was nothing in the development of the industrialized countries of Western Europe during 1963 to suggest any radical departure from existing trends, either in the direction of recession or of boom. The severe winter set back production and employment during the early part of the year, but the subsequent recovery brought most countries back onto the growth paths they had been previously following. The European economy in general has continued to operate at something less than full capacity, with an average growth rate of 3 to 4 per cent per year. Governments and central banks showed themselves on the whole to be more concerned with wages and prices than with output, and their policies were directed principally to the avoidance of excessive cost increases or inflationary rises in demand. Private investment too showed signs of slackening off in the early part of the year, partly because of surplus capacity in some sectors and reduced profit margins since, in general, wages and unit costs of production have tended to rise faster than prices. Some recovery in this sector, however, was becoming apparent by the end of 1963.

Expansion Slowed Down

Although foreign exchange reserves were ample in most countries, government reluctance to stimulate domestic expansion appeared to be

based not only on a dislike for the domestic consequences of the cost-price inflation which it was believed might ensue, but on a fear of its effect on balances of payments. For the most part, therefore, individual governments tended to wait for others to pursue a more rapid expansion rather than to pioneer themselves in this direction—at the risk of being left with too high domestic price and cost levels, rising imports, and reduced competitiveness in export markets. The dangers of such a differential between member countries were illustrated by the heavy trade deficits resulting from inflationary pressures in France and Italy during the year, and the equally heavy trade surplus developed by West Germany, largely at the expense of its two Community partners.

Intra-Trade Increases

One consequence of this rather embarrassing surplus—amounting to almost \$1 billion—was a proposal by Germany in the spring of 1964 that it should cut its tariffs unilaterally and a suggestion that other Community member countries, in order to restrain inflationary pressures on prices, might wish to follow suit, both as regards the remaining tariffs existing among themselves and the common external tariff against outside countries. To an extraordinary degree, the growth in Western European trade has been in the form of intra-trade. The

movement towards closer economic co-operation and the high rate of economic growth in the region have together raised the share of intra-trade in total Western European imports from less than 50 per cent in 1953 to over 60 per cent a decade later. In no other region has so pronounced a shift occurred in the geographical pattern of trade—not even in Eastern Europe, where the declared aim has been the co-ordination of production throughout the area in such a way as to benefit from intra-regional specialization.

As the more or less favourable reaction on the part of other member countries to the German proposal shows, the Community is far from disinterested in the prospect of increasing trade with other parts of the world, an attitude which is reflected in the growing support being given to the Kennedy Round of tariff negotiations in Geneva. The prospect of easier access for European goods in overseas markets, as well as a willingness to allow the cold winds of overseas competition to blow in on inflationary pressures within Europe itself, may result in a substantial lowering of those tariff barriers still affecting Canadian sales in Community markets. The seven countries of the European Free Trade Association, committed as they are to the concept of a single European trading area and to the maintenance and growth of overseas trade, have of course been strong

supporters of the Kennedy Round since the proposal for deep and widespread tariff reductions was first broached.

Canadian Export Patterns

Despite increasing Canadian sales to the state-trading countries of Eastern Europe during 1963, the major share of Canada's exports to Europe continued to be directed towards its Western trading partners. In absolute terms, these countries purchased nearly \$680 million worth of Canadian goods, or almost 10 per cent of our total exports (nearly one-third of the total if we exclude our major markets in the United States and Britain). Growing markets in the six member countries of the European Economic Community accounted for by far the greater proportion of these purchases, some \$475 million. Our largest customer by a wide margin was West Germany (\$171 million), followed at some distance by the Netherlands (\$87 million), Italy (\$77 million), Belgium-Luxemburg (\$76 million), and France (\$63 million).

Canada's relatively heavy dependence on exports of foodstuffs and industrial raw materials, both of which tend to be subject to wide fluctuations in demand, has resulted in a rather more erratic growth pattern in our sales from year to year than our imports, which largely take the form of manufactured goods, have shown. Nevertheless, the increasing variety and competitiveness of Canadian manufactures, coupled with heavy demand and rising prices in Western Europe, has tended to increase such exports to the point where they more than compensate for any sluggishness in the demand for our more basic products. Thus, despite a substantial falling off in last year's demand for wheat, resulting in an absolute decrease in our total exports to West Germany, our sales to the Community as a whole rose by \$20 million (or more than 4 per cent) over those in 1962.

With the exception of Norway, which imports large quantities of

CANADA'S TRADE WITH EUROPE				
	Exports		Imports	
	1962	1963	1962	1963
(in millions of dollars)				
European Economic Community				
Belgium-Luxemburg	68.2	76.5	48.7	47.3
France	57.6	63.4	56.2	58.2
Italy	74.5	76.8	51.9	55.3
Netherlands	76.9	87.1	37.0	36.7
West Germany	177.7	171.0	141.2	144.0
Total	454.9	474.8	335.0	341.5
European Free Trade Association (Continental)				
Austria	7.3	6.8	8.0	9.0
Denmark	6.1	6.8	13.3	13.2
Finland	5.2	7.3	1.9	2.5
Norway	69.1	73.4	16.1	23.5
Portugal	2.6	5.9	6.0	7.7
Sweden	18.2	20.9	25.9	33.4
Switzerland	23.9	27.2	28.0	32.5
Total	132.4	148.3	99.2	121.8
Eastern Europe				
U.S.S.R.	3.3	150.1	1.8	2.3
Bulgaria	0.4	.....	9.0	9.2
Roumania	0.5	1.3	0.1	0.1
Hungary	0.3	0.4	0.4	0.6
Czechoslovakia	3.5	13.3	9.0	9.2
Poland	37.4	27.2	4.8	6.8
Total	45.4	192.3	25.1	28.2
Other Europe				
Greece	9.2	7.4	1.1	1.6
Ireland	10.3	10.5	4.8	5.3
Spain	15.4	20.5	8.5	8.5
Yugoslavia	1.0	17.5	1.8	1.8
Total	35.9	55.9	16.2	17.4
GRAND TOTAL	668.6	871.3	475.5	508.9

Canadian nickel for smelting, none of the continental member countries of the European Free Trade Association ranks among the major purchasers of Canadian goods. All six countries, plus Finland, together accounted for only \$148 million worth of sales in 1963, less than one-third of the Community figure. Nevertheless, as in the Community, general prosperity and rising prices promise a growth both in the demand for and in the competitiveness of Canadian goods. Exports to the EFTA countries as a group rose by \$16 million in 1963, nearly as great an increase in absolute terms as in our exports to the Community. On a percentage basis, this growth was almost three times as great.

Sales to Eastern Europe

Canadian sales to Eastern Europe, which had reached only \$45 million in 1962 (\$12 million excluding

wheat) rose to an unprecedented \$150 million in 1963, due largely to heavy purchases of wheat by the Soviet Union and, to a lesser degree, by Czechoslovakia. Poland, which had been a steady customer for wheat for many years, actually decreased its purchases during the year. However, the serious crop failure throughout Eastern Europe which followed the severe winter of 1962-63 resulted not only in new wheat contracts being signed by Poland, Czechoslovakia and the Soviet Union, but in the signing of a trade agreement with Bulgaria. This agreement, which involves, among other things, the exchange of most-favoured-nation treatment and a heavy purchase commitment for Canadian wheat, restores our prewar commercial relationship with that country.

Four European countries (Greece, Ireland, Spain and Yugoslavia) fall

into no specifically defined group and have not traditionally accounted for a very large proportion of Canada's exports. Nevertheless, their purchases of \$56 million worth of our goods represented an increase over the preceding year which was equal to that of the Community in absolute terms and, in percentage terms, showed a growth of nearly 60 per cent. Both Spain and Greece (which is now closely associated with the Community) have embarked on extensive development plans which, in the immediate future as well as in the longer term, should provide new opportunities for Canadian exporters.

Non-Tariff Restrictions

A notable feature of 1963 was the virtual disappearance of quantitative restrictions on trade. Since the early postwar period, with its shortages of foreign exchange and the over-riding need of the European countries to subordinate all other demands to the urgent task of physical recovery, the member countries of the General Agreement on Tariffs and Trade have been attempting to eliminate all such direct barriers to trade and to depend on tariff measures alone. As currencies once more became widely convertible, the former discrimination against such hard currency countries as Canada and the United States was largely eliminated, to be replaced by global quotas. These quotas in time are gradually being enlarged or abolished in the industrial sector, save in certain countries whose plans for widespread industrial development require the temporary maintenance of a certain level of restriction. The amount of liberalization undertaken by Austria during 1963 was particularly noteworthy. The so-called hard-core items continue to be those in the field of agriculture, a sector which, for a variety of economic, social and political reasons, has traditionally been assured in almost every country of special protection.

During the year a wide range of other trade barriers received renewed attention. Discussions were carried on not only in the Europe-

	Absolute increase (in millions of dollars)		Percentage increase	
	Exports	Imports	Exports	Imports
European Economic Community				
Belgium-Luxemburg	8.3	-1.4	12.2	-2.9
France	5.8	2.0	10.1	3.6
Italy	2.3	3.4	3.1	6.6
Netherlands	10.2	-0.3	13.2	-0.8
West Germany	-6.7	2.8	-3.8	2.0
Total	19.9	6.5	4.4	1.9
European Free Trade Association (Continental)				
Austria	-0.5	1.0	-6.8	12.5
Denmark	0.7	-0.1	11.4	-0.8
Finland	2.1	0.6	40.3	31.6
Norway	4.3	7.4	6.2	46.0
Portugal	3.3	1.7	126.8	28.3
Sweden	2.7	7.5	14.9	29.0
Switzerland	3.3	4.5	13.8	16.2
Total	15.9	22.6	12.0	22.8
Eastern Europe				
U.S.S.R.	146.7	0.5	4,450.0	27.8
Bulgaria	-0.4	0.2	-100.0	2.2
Roumania	0.8	.....	160.0	.....
Hungary	0.1	0.2	33.3	50.0
Czechoslovakia	9.8	0.2	280.0	2.2
Poland	-10.2	2.0	-27.3	41.7
Total	146.9	3.1	324.0	12.4
Other Europe				
Greece	-1.8	0.5	-19.6	45.5
Ireland	0.2	0.5	1.9	10.4
Spain	5.1	.....	33.2	.....
Yugoslavia	16.5	.....	1,650.0	.....
Total	20.0	1.2	55.7	7.4
GRAND TOTAL	202.7	33.4	30.4	7.0

wide Organization for Economic Co-operation and Development in Paris, but during the preparations for the Kennedy Round of trade negotiations in Geneva. Such barriers may arise through valuation procedures, internal taxes, state trading practices, government purchasing regulations, import licensing procedures, customs administrative practices, sanitary and health regulations, standards and specifications, marketing and labelling requirements and a host of other controls. Many problems in these fields have been solved in the past through bilateral consultation between the countries directly concerned. Increasing attention is now being given to the possibility of a more general solution through the gradual harmonization on an international basis of the various policies, practices and procedures concerned.

The increasing range and competitiveness of Canadian goods, coupled with the growing prosperity of the expanding European market, have done much to widen Canadian export opportunities. At the same time, Canadian exporters have sought to take more direct advantage of these opportunities through participation in various government-sponsored trade missions and in a large number of trade fairs. During 1963, first-hand examinations were made of the market in various parts of Europe for such commodities as automotive parts, commercial and institutional equipment, furniture, tobacco, poultry, and aircraft and parts. Missions already dispatched or proposed for 1964 include those interested in textile fabrics, pharmaceuticals, household appliances and factory-built housing. ●

European Trading Arrangements

A review of developments within EFTA and the EEC in 1963, including changes in tariffs, the evolution of agricultural policy, and relations with the associated states and with other countries.

European Division, Office of Trade Relations and Trade Policy.

EFTA

THE central feature of the European Free Trade Association (EFTA) is the progressive elimination of all tariffs and other restrictions on trade in industrial goods among the seven member countries (Austria, Britain, Denmark, Norway, Portugal, Sweden and Switzerland). Unlike the European Economic Community, EFTA maintains separate national tariffs against outside countries. Finally, at the insistence of those members which are primarily agricultural producers and which consider themselves to benefit less than the others from the mutual reduction of industrial tariffs, separate agricultural arrangements have been agreed upon outside the strict context of the Stockholm Convention itself.

The Convention which brought the Association into force on May 3, 1960, laid down a timetable of roughly ten years for the progressive abolition of internal duties. Like the member countries of the Community, however—and to a large extent in order to keep pace with these countries—the seven EFTA nations agreed to accelerate this process. At their meeting in Lisbon in May 1963, Ministers decided that tariffs, quantitative restrictions and other barriers would be removed completely by December 31, 1966, three years earlier than the date foreseen in the Convention. By this date, there is expected to be free trade in all the goods covered by the Convention (including a number

of prepared and manufactured foodstuffs).

Exceptions Made

There will, however, be a limited number of exceptions to this timetable. Finland, which has been associated with the EFTA since the summer of 1961, will not be required to abolish its duties completely until the end of 1967; Norway may maintain duties on certain selected items (such as textiles, footwear and electric appliances) until the end of 1969. Portugal has been granted an even longer timetable: another fifteen years to eliminate its duties on those goods exports of which amount to less than 15 per cent of domestic production. For the Association generally, a further reduction of 10 per cent on December 31, 1963, under the accelerated program has lowered internal duties to 40 per cent of their pre-1960 levels, except in Portugal where reductions have been somewhat less.

Trade with the EEC

The greater proportion of the trade of the EFTA countries with the rest of the world continues to be carried on with the European Economic Community, which purchases some \$6 billion worth of EFTA's exports and supplies \$8 billion worth of EFTA's imports. The importance of this trading relationship lends strength to the Seven's long-term objective of a single European market which would embrace both groups. The parallel reduction of tariffs has done much

to lay the groundwork for such an eventuality while, on the political side, contact with the Six is being carried on at ministerial level through meetings of the Western European Union. Of the member countries which were seeking some form of relationship with the Community at the time of the collapse of the Brussels negotiations for British accession early in 1963, only Austria has continued to press directly for association. A number of discussions between Austrian representatives and the European Economic Commission took place during 1963, but results have so far been inconclusive.

In the meantime, the seven member countries have indicated their full support for the objective of a 50 per cent linear reduction in tariffs during the forthcoming GATT trade negotiations in Geneva, provided that suitable arrangements can also be arrived at for trade in the agricultural goods on which a number of them depend. Such a reduction would be extremely valuable to all EFTA countries, both in the general interest of promoting world trade and in particular for the contribution it would make to the further freeing of trade within Europe.

The establishment of an Economic Development Committee in November 1963 marks still another step in the strengthening of the Association. Its first task was the specific one of considering the expansion of pulp and paper manufacture in Portugal. More general problems will be those related to restrictive

business practices, state trading, administrative barriers to trade, and industrial standardization.

EEC

ECONOMIC activity in the European Economic Community (Belgium, France, Germany, Italy, Luxemburg and the Netherlands) continued to expand considerably during 1963. Although the rise in real gross national product was only 4 per cent compared with 5 per cent in the preceding year, this appeared to be due not so much to long-term weaknesses as to chance factors, in particular the extremely severe winter of 1962-63. The tendencies which made for slower economic growth were undoubtedly still present at the beginning of 1963 and may have affected private investment to some extent, but they gave way to a more or less distinct recovery as the year wore on. Brighter export prospects, the easing of pressure on profit margins, and the need to increase industrial productivity in the face of severe labour shortages were among the factors responsible for this recovery. Although household consumption expanded slightly less than in 1962, it provided a further stimulus to the Community's economy.

Italy's gross national product showed an increase of 5 per cent over the previous year, the highest rate of growth in the Community. The corresponding rate for France was 4.5 per cent, for Belgium and the Netherlands 4 per cent, for Germany 3 per cent, and for Luxemburg, with its dependence on the sensitive iron and steel industry, the relatively low figure of 0.5 per cent.

On monetary terms, demand rose almost as much as in the preceding year. Since domestic supplies grew more slowly, however, principally because of the limitations placed on production by continuing labour shortages, such demand was partly reflected in higher prices and in a considerable further deterioration in the Community's balance of current

payments. Imports from non-member countries rose by more than 10 per cent during the year in both value and volume, a significantly higher rate of increase than during the preceding year.

The internal trade of the Community expanded even faster. The increase in merchandise trade between the member countries is estimated at about 16 per cent in value as against 14 per cent in 1962. Decisive in this development were not only the further steps taken to establish the Common Market and the lively expansion which was a feature of over-all demand, but also the appreciable differences which developed during the year from one member country to another in the relation between the expansion of internal demand and of internal supply.

These differences are clearly reflected in the way price levels developed. For the Community as a whole, the trend was again upward, with relative stability in West Germany and—in the first half of the year—in Belgium and the Netherlands, but with a strong upward price push in Italy and France. Italy's imports from the five other member countries consequently increased by 30 per cent during the year, France's imports from them by 26 per cent, and Germany's imports by only 8 per cent. Germany's resulting trade surplus with its Community partners of nearly \$1 billion was one of the most outstanding—and not altogether favourable—developments in Community progress during 1963.

Recent Tariff Developments

On July 1, 1963, the six member countries carried out a further reduction of 10 per cent in their internal tariffs, bringing the level of duties on intra-Community trade down to 40 per cent of their 1957 level on industrial products, 55 per cent on non-liberalized agricultural products, and 60 per cent on liberalized agricultural commodities. On the same date, the second alignment of each member country's national

tariff against outside countries with the Community's proposed common external tariff (CET) was taken. By this action, the difference between the eventual CET and the separate duties applied by each member in 1957 has been reduced by a total of 60 per cent.

A number of temporary reductions and suspensions of the common external tariff were introduced in 1963 and early 1964. The tariff on tea in small containers was reduced to 5 per cent and it was suspended altogether on bulk tea, maté and tropical woods. These measures came into force on January 1, 1964, and will remain in force until December 31, 1965. The total value of imports affected by these concessions is about \$97 million. On February 7, 1964, the common external tariff on green coffee was temporarily reduced from 16 per cent to 9.6 per cent until June 30, 1964. Member countries also agreed to suspend for the same period the intra-Community duties on green coffee and to extend the suspension to coffee from the Associated African countries. Finally, because of a shortage of sugar in certain member countries, the tariff on sugar was suspended on November 22, 1963, until March 31, 1964.

Common Agricultural Policy

On December 23, 1963, another important step was taken with the adoption of three new regulations covering trade in rice, beef, veal and dairy products. These regulations provide for the gradual organization of the markets in these commodities. They will come into operation on July 1, 1964.

The first such regulations under the new Common Agricultural Policy came into effect on June 30, 1962, and covered cereals, pork, poultry, wine, fruits and vegetables. With certain temporary exceptions, tariffs and other forms of import control such as state trading, mixing regulations, and quantitative restrictions were abolished.

Under the Grain Regulations (which apply to wheat, oats, barley,

rye, corn and their products), internal prices are the principal method of income support and the levy system is designed to protect these prices against competition from outside suppliers. Trade between member countries will enjoy a Community preference during the transition period. Internally, each member country sets a target price within a range determined by the Council of Ministers. For 1962-1963, the range of wheat was established at a minimum of U.S.\$2.43 per bushel in France (the main surplus area) and a maximum of U.S.\$3.24 in Germany (the main deficit area). This range continues in effect, as do the 1962-1963 individual target prices. When prices fall to the level of the intervention price (7 per cent below the target level) an official board buys the grain on offer for storage until the market recovers. The import levy represents the difference between the lowest c.i.f. price of foreign grain, adjusted for quality differences, and the target price of member countries at the port of entry.

Late in 1963, the European Economic Commission proposed the establishment of a common price level for cereals in a single operation, to take effect from the 1964-65 marketing year. It does not now appear, however, that a common cereals price will be established until 1966.

The market for dairy products is to be organized along the same lines as grains, with the exception of certain cheeses (such as Canadian cheddar) where the 23 per cent duty will be charged on a minimum import price. The beef and veal market will be protected by tariffs coupled with a minimum import price. These regulations were originally due to enter into force in April 1963, but the timetable was delayed in the aftermath of the British-EEC negotiations in Brussels.

Associated Overseas Countries

The Rome Treaty provided for the association with the Community of certain overseas territories and

countries which have a special relationship with its individual members. The purpose of this association was "to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole". The countries covered by the original 1958 arrangements are mainly former colonies in Africa which have since become independent (Burundi, Cameroon, Central African Republic, Chad, Congo (Brazzaville), Congo (Leopoldville), Dahomey, Gabon, Ivory Coast, Malagasy Republic, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Togo and Upper Volta).

The arrangements were originally implemented by a convention for a five-year period, which expired on December 31, 1962. After prolonged negotiations, a new Convention of Association was signed at Yaounde last July. It is now in the process of examination by national parliaments and will become effective following ratification by the six EEC members and at least 15 of the associated states. The Convention is based generally on the provisions of the Rome Treaty. In addition, an aid fund of \$800 million has also been established for economic and social investment and technical co-operation in the associated countries over a five-year period (\$220 million more than under the initial arrangements). The trade provisions of the former agreement have been extended. Certain tropical products—pineapples, coconuts, coffee (green and containing caffeine), tea (unpacked), unground pepper, unground cloves and nutmeg, vanilla and cocoa beans—will receive free entry into the Community. Other exports will continue to benefit from the progressive abolition of the internal EEC duties while the associated countries are to reduce their own tariffs on imports from the Community by 15 per cent a year. To meet their possible development needs, however, provision is made for the maintenance where

necessary of existing tariffs or the creation of new duties.

Other Developments

In the field of external relations, an association agreement between the European Economic Community and Turkey was signed in Ankara on September 12, 1963. The first trade agreement of the Community as such was signed with Iran in October 1963, followed by an agreement with Israel on May 6, 1964. The latter provided for temporary reductions of the Community's common external tariff on a number of agricultural and industrial products, as well as immediate alignment of the present or reduced rates of this tariff on certain products such as oranges and fruit juices where the duties applied by member states are currently in excess of these rates. There is provision as well for the liberalization of several products by member states.

Europeans Don't Appreciate . . .

. . . the thinking that produced these quotes from letters written by Canadian businessmen:

"We are unable to quote in Belgium (sic) francs per meter as our IBM is not equipped to handle the metric system . . . please note that all our invoices will be made out in yards and in Canadian currency."

"Since freight rates from Hamilton to European ports are not presently available, we are unable to indicate a c.i.f. price."

"Sorry, your letter was filed without being read."

"Unfortunately we have been unable to get a ship up to the present time." (Local dealer was without stocks for over two months because of failure to ship.)

"I was surprised when I telephoned to the manager of the two firms you recommended to find that they were unable to speak to me in English."

. . . nor the lack of interest that caused the European agent for a Canadian company to complain:

"You can imagine my embarrassment and concern when the equipment required for the opening arrived several weeks after the store was scheduled to open."



In Belgium—These Belgian boys are playing happily with a junior science kit made in Canada. Canadian exports to Belgium range from wheat, lead and industrial machinery down to toys and games; cover some 345 classifications.



In Greece—The sack borne on the shoulders of a Greek stevedore at Piraeus bulges with Canadian seed potatoes; the rest of the shipment is stacked up behind him. Greek table potatoes are mainly grown from imported stock; New Brunswick and P.E.I. are the major suppliers.



In Finland—The model is wearing a beach dress of printed and plain Canadian cotton at a showing held at Turku, Finland, during the visit last February of the Canadian Fabrics Trade Mission. In the background (centre) is G. A. Browne, Canadian Commercial Counsellor in Stockholm, watching the proceedings with interest.

Austria

- The 1963 upswing in business continues; consumer spending rises.
- Balance-of-payments surplus permits more import liberalization.
- Wider variety of fully manufactured Canadian goods sold.

H. K. ROTT, *Commercial Assistant, Vienna.*

THE Austrian economy, after a slow start at the beginning of 1963, picked up momentum in the course of the year. The gross national product showed an appreciably higher rate of growth than in 1962. Investment activity remained sluggish, but buoyant private consumption, plus heavy public expenditures and a satisfactory volume of exports, lent strong support to the business upswing. With the balance of payments again showing a sizable surplus, the inflow of capital was restricted and import liberalization furthered.

Although Austrian exports to the Common Market have not yet suffered seriously from tariff discrimination, businessmen in this country have been increasingly concerned over the difficulties encountered in establishing an acceptable *modus vivendi* with the European Economic Community, Austria's most important market. The geographical distribution of Austria's foreign trade did not change fundamentally. According to DBS figures, Canadian exports to Austria declined in value but were more diversified than in previous years. (Austrian import statistics, incidentally, do not indicate a decrease in purchases from Canada.)

Economy Expands

The 1963 GNP reached a value of Can.\$8.3 billion, an increase of 6.6 per cent over 1962. A third of this gain resulted from higher prices so that the real rate of growth (calculated at 1962 prices) was 4.4 per cent. Compared with the postwar low of 1.5 per cent in 1962, this figure was considered satisfactory.

The consensus is that under present conditions of practically full employment the annual rate of real growth cannot be expected to exceed 4 per cent by any large margin.

Industrial output went up 4 per cent, almost twice as much as in 1962. Consumer goods industries set the pace by increasing production by 7 per cent. Production of capital goods in 1963 was as sluggish as in 1962 but showed signs of recovery at the end of the year. Agriculture registered a 6 per cent gain over 1962, an unusually bad year, and field crops increased by 15 per cent. Compared with the long-term annual growth rate of 3 per cent, beef production increased by only 1 per cent because of a general decline in cattle herds. The building trades exhibited a below-average rate of growth (2 per cent) because of the short building season. Retail sales rose by 7 per cent. Transportation enterprises—primarily road carriers—increased their volume of services by some 7 per cent also.

With an average employment of 2.34 million, the annual unemployment rate in 1963 was 3.2 per cent against 2.9 per cent in the previous year. Seasonal unemployment is a problem. During the summer, when the tourist trade and construction reach their peak, there is usually a dire shortage of labour. In 1963 some 15,000 foreign workers found employment in Austria and for the current year it is planned to admit from 33,000 to 42,000 to ease the pressure on the labour market. The vexing problem of winter unemployment is being attacked by promoting construction activity and the tourist trade in the winter months. For the

first time, labour displayed a fairly high degree of mobility in 1963 with people moving from stagnant industries to expanding ones.

Average weekly wages rose by 7 per cent, slightly less than in 1962, and retail prices by 2.8 per cent compared with 4.9 in the previous year. The resulting increase in the real income of large sections of the Austrian population is largely responsible for greater consumer spending which, as mentioned earlier, was one of the important factors promoting economic growth. Those who visit Austria occasionally cannot fail to notice the increasing air of prosperity. People are much better dressed and can now afford many of the amenities. Austrians themselves, who have a tendency not to appreciate standards already achieved, readily admit that the long postwar boom has brought them a degree of material wellbeing considered impossible before 1939.

Terms of Trade Adverse

Commodity imports in 1963 reached Can.\$1.81 billion, 7.9 per cent more than in the preceding year, and exports rose by 4.9 per cent to Can.\$1.44 billion. Even though the trade deficit of Can.\$375 million was 21 per cent higher than in 1962, this did not cause undue concern because 90 per cent of the deficit in commodity trade was covered by net income from tourism (expenditures of foreign visitors to Austria minus money spent by Austrians abroad). The tourist boom continued, although at a slower rate. Businessmen and economists, however, were understandably worried over the deterioration in the terms of trade. The average price level of imported goods rose by some 5 per cent but export prices obtainable abroad were only 1 per cent higher than in 1962.

Heavy capital inflows again made possible a sizable surplus on the balance of payments of about Can.\$170 million. At year's end, the Austrian Central Bank held reserves of almost Can.\$1.3 billion: 44.8 per cent in gold bullion and the

rest in foreign exchange. This is enough to finance import needs for almost nine months.

To guard against the undesirable consequences of such large reserves, the Minister of Finance decided that for the time being no further loans would be raised abroad. Austria's capital requirements can be obtained from domestic sources because of the high degree of saving and the liquid position of the banking system. One problem is that Austrian savers tend to keep their money in savings accounts from which they can make withdrawals without notice. Banks are loath to extend long-term credit or make investments on the basis of call-money. A measure of liberalization was introduced in mid-1963 permitting banks to maintain larger credit balances abroad. Investments in foreign countries for the first time since the war played a more important rôle. With interest rates still rather high in Austria, it is expected that the influx of capital will continue almost unabated this year.

More Imports Liberalized

Because of its highly satisfactory balance-of-payments position, Austria found it possible to take further steps towards fulfilling its obligations under the GATT. On January 1, 1963, trade liberalization of imports from all GATT countries was brought up to the 93 per cent level previously applicable only to OECD members. Of significance to Canada was the fact that on July 1 quantitative import restrictions were removed from 100 tariff items (or sub-items) and on January 1, 1964, from an additional 60 items.

In the course of the current year all residual quantitative restrictions are to be lifted, except for a few that apply to hard-core items. It was announced recently that effective July 1, 1964, 71 tariff items (or sub-items) will be liberalized, including vegetable fats and oils, margarine, certain chemicals, various types of footwear, hats, brake linings, some leather goods, space heaters, AC motors, etc.

At the end of the year additional commodities are to be liberalized. At that time a "negative list" will be published, containing the commodities to which quantitative import restrictions will continue to apply. It is understood that this list will be short, approximately a dozen items. Among them will probably be bituminous coal, matches, penicillin and furniture. No decision has yet been reached on whether global import quotas will be established for these commodities as with most non-liberalized products in the past, but such a move is not altogether unlikely. GATT rules require the eventual removal of all quantitative import restrictions and the Austrian Government has found it useful to establish set import quotas for non-liberalized commodities before freeing them completely from restrictions.

Austria and the EEC

A breakdown of Austria's foreign trade by country groupings reveals slight shifts in both exports and imports in favor of its partners in the European Free Trade Association and of Bloc countries. These shifts occurred, on the one hand, as a result of the tariff reductions (now 60 per cent) EFTA countries grant one another and on the other hand as a consequence of Austria's desire to reduce its bilateral credit balances in its trade with Bloc countries by importing more goods from them. The share of the United States in Austria's imports dropped from 5.6 to 4.7 per cent but the share of Austrian exports going to that country remained almost unchanged (3.8 per cent in 1962 against 3.9 per cent in 1963). Trade with Common Market countries declined slightly. In 1963 they provided 58.3 per cent of Austrian imports (in 1962: 59.2 per cent) and purchased 49.9 per cent of Austrian exports (in 1962: 50.0 per cent).

The small changes in Austria's pattern of trade must not obscure the fact that selling to the highly important markets in the European Economic Community (EEC) is

fraught with considerable difficulties. Austrian exports of steel, which rank second only to the tourist trade as a source of foreign exchange earnings, were hampered by the decision of the European Coal and Steel Community (which has the same membership as the EEC) to establish a uniform rate of duty applicable to imports from outsiders at the highest level (9 per cent) charged by Italy, one of its member countries. It would appear that, at the present time, Austria has little chance of obtaining a complete exemption from this measure. West Germany, with the approval of the ECSC, established bi-annual global quotas under which imports of steel are subject only to the original 5 per cent rate of duty. This action, however, was prompted by representations of West German importers (who proved that certain purchases from abroad were necessary) rather than by remonstrances from foreign suppliers and their governments. There is a slight chance that concerted action by traditional exporters of steel to the ECSC countries may induce West Germany, which had the lowest duties, to prevail upon its ECSC partners to lower import duties at some future date.

Trade with Canada

According to DBS statistics, Canadian exports to Austria dropped by 6.7 per cent in 1963 to a value of Can.\$7,315,630. Our imports from Austria jumped by more than 13 per cent to a value of \$9,025,862. Austrian figures put imports from Canada at almost exactly the same value as in 1962 and exports to Canada about 9 per cent higher. In addition, Austrian trade statistics indicate a deficit of about Can.\$2 million in trade with Canada in 1963.

The main reason for the discrepancy between Canadian and Austrian figures seems to be that statistics are collected on a different basis in Ottawa and Vienna. DBS statistics credit exports to the country to which they are consigned

upon leaving Canada and attribute imports to the country from which they are shipped to Canada. Austrian trade statistics, on the other hand, use countries of origin and of final destination. The drop in sales to Austria is consequently more apparent than real because Austria is known to buy Canadian goods frequently in third countries, particularly in Britain and West Germany.

Asbestos, wheat and nickel continued to be our major exports to Austria. Wheat sales, according to DBS, were down by about Can. \$887,000, a decrease not completely borne out by Austrian statistics. Records of the Grain Equalization Board, an official body governing wheat imports into Austria, even indicate that Austrian wheat purchases from Canada in the period under review did not decrease. There seems to be no reason to worry about the drop in sales of nickel and asbestos in 1963 because Canada has no serious competitors. Apart from these staple commodities, Canada shipped a wider variety

of goods to Austria than in the past. This is obvious from DBS statistics, which listed these exports in 1963 under 118 headings, compared with 98 headings in 1962. Canadian exporters availed themselves to a greater extent of the opportunities offered by Austria's more liberal import regime. They found customers for fully manufactured goods such as gloves, shirts, and other wearing apparel as well as plywood, lawn mowers and electrical appliances.

The composition of Austrian exports to Canada did not change appreciably in 1963: they consisted mainly of embroideries, textile fabrics, sporting goods, and gasoline engines. The volume of sales, however, rose. Fully-finished and semi-manufactured goods continued to play a bigger rôle in Austrian exports to Canada than in Canadian sales to Austria.

Boom Is Expected

Present indications are that Austria is heading towards a boom.

Even now reserves of labour are almost exhausted and industrial production is reported to be expanding vigorously. Consumer demand is lively, the volume of capital investment is rising, and there is a widespread tendency to increase inventories. If the performance of the agricultural sector of the economy proves satisfactory, the gross national product for 1964 should be considerably higher than in 1962.

With imports being freed from remaining restrictions and the Austrian economy expanding satisfactorily, Canadian exporters to this country should be able to make headway, particularly in consumer goods. To gain a larger share of the market, aggressive salesmanship and willingness to adapt to European business methods are needed. It must not be forgotten that Austria's immediate neighbours enjoy the advantage of proximity and familiarity with the market and that its EFTA partners, though farther removed, reap the benefits of preferential tariff treatment. ●

Belgium

- Industrial output up 5.5 per cent in 1963; business prospered.
- Wholesale prices for agricultural products rising; crops good.
- Government takes steps to keep inflation in check.

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

"During 1963 prosperity in Belgium continued and increased. Just as they did in all the European Economic Community countries, tensions characteristic of a persistent state of full employment appeared."
—Annual Report of the National Bank of Belgium.

THE factor that dominated the Belgian economy last year was undoubtedly full employment, with its effect on rapidly rising costs and prices. The expansion of industrial and business activity coupled with

higher incomes resulted in a period of continued prosperity. This is reflected in the usual economic indicators. (See page 13.)

In the European Economic Community as a whole, 1963 was marked by a favourable economic situation, though industrial production tended to slow down because of the shortage of labour in some sectors. At the same time, domestic demand rose more rapidly than the gross national product, and the resulting inflationist tendency reflected

both the origin and consequence of the higher wages—about 8 per cent above last year.

Industrial production, on the other hand, remained relatively satisfactory and increased 5.5 per cent over 1962, despite a slow start due to the hard winter. This was a more rapid rise than in most of the neighbouring countries, with the exception of Italy. The reference to the prosperity of the immediate postwar period as "the Belgian miracle" and, more recently, to Belgium as "the sick man of Europe" has been replaced by the cautious assessment of the National Bank quoted above.

Industrial Activity Sustained

Coal mining, building, most of the textile industries and the majority of industries producing consumer

goods enjoyed a sustained demand. In general, capacity was fully employed—or could have been except for the shortage of labour. On the other hand, activity and selling prices in the steel industry were adversely affected by the imbalance in the world market for steel. Orders for the metalworking industries producing capital goods decreased because of a falling off in capital expenditures in this sector. The important glass and carpet makers suffered from the effects of protective tariff measures adopted in one of their principal markets.

The activity in the construction industry has been intense—particularly in Brussels, where new skyscrapers of 20 to 30 stories are beginning to dot the landscape—and old buildings are being replaced by larger, modern and more efficient structures for industry, offices and homes. New houses and apartment buildings are going up throughout Belgium and it can still be said that Brussels is one of the few European capitals where there is no real housing problem.

Agriculture: Policy Problems

Despite unfavourable weather, crops were relatively good and in some instances surpassed early estimates. There is still some uncertainty over the effect of the Common Agricultural Policy, some parts of which have still to be spelled out in detail by the EEC.

The rising standards of living at home and abroad and the progressive liberalizing of agricultural markets within the EEC have improved conditions in the Belgian livestock industry. Wholesale prices for agricultural products of animal origin rose about 16 per cent, but those of plant products remained stable, apart from seasonal fluctuations. The over-all wholesale price index for agricultural products rose by 7 per cent compared with only 3 per cent for industrial products, though the latter rise is considered satisfactory in the light of price trends since 1958.

GNP	Dec. 1961	Dec. 1962	Dec. 1963	Source
1. Gross national product (1961=100)	100*	106.7*	113.3	(1)
Production				
2. Over-all index (1953=100)	154	166	182	(2)
3. Coal ('000 tons per month)	1,774	1,749	1,889	(3)
4. Steel " " " "	563	607	655	(2)
5. Electricity ('000,000 kwh. per month)	1,405	1,600	1,703	(4)
6. Paper ('000 tons per month)	31	32	33	(4)
Labour				
7. Unemployment ('000 daily average)	176	144	127†	(5)
8. Wages (1953=100)	146	159	172	(6)
National Bank				
9. Gold reserves (billion frs.)	62.4	68.3	68.6	(6)
10. Currency reserves " "	20.4	12.8	21.5	(6)
11. Note circulation " "	126.7	135.9	147.7	(6)
12. Discount rate (per cent)	4.5	3.5	4.25	(6)
Shares				
13. Over-all price index (1953=100)	126.6	118.1	133.6	(7)
14. Average yield (per cent)	3.18	3.24	2.70	(7)

*1961=601 billion Belgian francs; 1962=637 billion Belgian francs.
†March 1964=67.
Sources: (1) DULBEA, (2) AGEFI, (3) Mines Administration, (4) National Statistical Institute, (5) Ministry of Labour, (6) National Bank of Belgium, (7) Kredietbank.

Because of the central importance of cereals to agriculture as a whole, future prices for farm products and the level of farm income in Belgium are closely linked to proposals now before the EEC Council of Ministers for bringing prices of cereals in the six member countries to a common level in a single operation with effect from the 1964/65 marketing year.

Although it now appears unlikely that this move will be accomplished before 1966, it is significant that the alignment of prices at a level roughly intermediate between current prices in member states (as has been proposed) would result in a

general increase in Belgian cereal prices. Further, because of the inter-relationship between cereals and animal products, farmers would also receive higher prices for pork, eggs and poultry. Even allowing for increased cost of feed grains, the Commission estimates that farm income in Belgium would rise about \$15 million above the level of 1962/63. (In 1962, it was roughly \$4 billion.)

Foreign Trade

Exports represent about 40 per cent of total Belgian production—an indication of the extent to which

the economy depends on international trade. Between 1953 and the inauguration of the Common Market in 1958, export trade increased by 35 per cent; since then, it has gone up by another 45 per cent. These rates of growth are in line with the 8.5 per cent annual average called for by the four-year plan if the increase in the GNP is to be maintained at 4 per cent.

The expansion of industrial activity and personal incomes resulted in a rise of about 12 per cent in imports and 10 per cent in exports over the previous year. (The University of Brussels Department of Applied Economics forecasts the equivalent figures for 1964 as 11 per cent and 9 per cent.)

The trade deficit totalled \$273 million in 1963, compared with \$233 million in 1962 and \$312 million in 1961. As Table I shows, exchanges with Community partners and the European Free Trade Area increased; Belgium had a surplus with the EEC for the first time in 1963 and a deficit with EFTA that began a year earlier.

Although Table I confirms the increase in trade with Common Market countries, exports to developing countries have declined during the past few years. In 1958 as much as 26.5 per cent of Belgium's export trade went to countries other than those belonging to the OECD (especially Congo). This figure fell to 13.7 per cent in 1963.

The Belgian balance of payments, despite a small deficit on merchandise account, remains in equilibrium.

Prices Rising

During the closing months of 1963, prices on industrial commodity markets increased and the over-all Kredietbank index (1953=100) finished the year at 102.1, the highest figure since the end of the Suez crisis in July 1957. As recently as July 1962 the index stood at 81.6. Price increases have taken place mainly in non-ferrous metals and agricultural products. In the autumn of 1962, prices of non-ferrous metals (mainly lead and zinc)

started their 15.5 per cent rise, mainly because of a relatively inelastic supply with a tendency on the part of consumers to restock. In agricultural products (up 13.3 per cent), the hard winter and strong export demand were largely responsible for a significant rise in meat prices.

The University of Brussels report mentioned previously points out that between December 1962 and December 1963 the increase in private consumer prices was less than that in France, Italy or Germany, a little higher than in the Netherlands, and considerably more than in Britain or the United States.

Financial Situation

Following an easing of interest rates in 1962 there was a reaction last year, accompanied by some factors of a normal cyclical character. The National Bank raised its rate in July from 3.5 to 4 per cent and again in October to 4.25 per cent. The 1964 budget contemplates the continuance of rising economic activity and an expansion of the GNP about the same as in 1963. The

objective of the Government is to maintain balanced growth and restrictive measures will undoubtedly be retained and even increased if they are necessary to achieve this end.

The budget presented to Parliament gives some indication of the size of the deficit to be covered by borrowing. The ordinary budget is in balance at about \$2,974 million. The extraordinary budget deficit to be financed by borrowing is put at \$378 million, to which must be added certain other special expenditures, bringing the total to about \$560 million. In its annual report for 1963, the National Bank says:

"Even on the assumption that no additional expenditure arises in the course of the financial year, and that the proceeds of redemption and repayments are fully reinvested in securities issued by the Government, the public authorities will thus exert on the capital markets a considerable demand competing with that from enterprises."

Before 1960, private consumption and investment rose modestly and gave some cause for concern. De-

TABLE I
BELGIUM'S TRADING PARTNERS

	1961		1962		1963	
	Exports	Imports	Exports	Imports	Exports	Imports
	(millions of dollars)					
EEC	2,090	2,134	1,678	2,324	2,942	2,685
EFTA	634	586	620	634	675	712
(of which Britain)	(206)	(318)	(216)	(367)	(277)	(421)
United States	362	374	414	451	411	472
Canada	44	54	43	52	44	54
Latin America	154	173	139	203	112	221
Other countries	640	915	1,429	892	655	968
Total	3,924	4,236	4,323	4,556	4,839	5,112

TABLE II
FOREIGN INVESTMENT IN BELGIUM

Year	New establishments each year*	Value of investments* (millions of Can.\$)	New employment planned*
1959	39	52.9	3,390
1960	143	72.1	5,275
1961	236	144.6	6,260
1962	189	146.5	6,850

*Non-cumulative.

spite a concentration of nearly 1,000 persons per square mile, the increase in consumption kept pace with the slow growth in the population. Furthermore, in 1953 the standard of living was already higher than in many European countries and this too slowed up the increase.

This meant that up to 1960 private investment was only moderate. Recently, however, the movement has been accelerated and during the past three years, investments have risen significantly and have helped to raise the level of activity. The share of private investment in the total national product has increased from 16.7 per cent in 1958 to over 20 per cent in 1963.

Foreign investments have played an important part, as detailed in Table II.

The significance of this development lies in the diversification of industry being established in Belgium. (See report "Foreign Firms

Invest in Belgium"—*Foreign Trade*, November 16, 1963.)

It is only after four years of expansion that the stability of Belgian prices has tilted sharply upwards. As this movement followed that of its EEC partners, observers have expressed the view that no serious internal inflationary forces have made themselves felt. As one writer says: "The present price-wage trend should be regarded primarily as a normal phenomenon of the business cycle which is making its classic appearance during the end-phase of a high level of business activity."

After West Germany, and among EEC countries, Belgium seems to be experiencing the most healthy economic development. Nevertheless, since the beginning of 1964 the Government has taken several anti-inflationary measures. Some of these concern the granting of credit and follow on the heels of the 1963

increases in the discount rate. For example, the National Bank and the financial institutions have agreed in principle to restrict the annual growth of credit to industry to between 10 and 12 per cent, compared with 24 per cent last year; public expenditures will be limited to a 5.5 per cent increase; the interest rates for mortgage loans have been raised; in February instalment buying regulations were tightened and a bill is now before Parliament to regulate the conditions of personal loans. Price policy has also been adapted to current circumstances. In January, maximum prices were fixed for domestic electric appliances and ceilings established for pork, beef and veal.

On the basis of the most recent signs of a relaxation of tension, especially in the monetary field, the prospects for business seem to be rather more favourable than they were at the end of 1963. ●

Canada's Market in Belgium

Our sales to Belgium rose by some \$8 million last year. Equally important, we sold a greater variety of products—from lumber to sports jackets, and from copper and brass to barbecue tools.

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

THE picture on page 9 showing Belgian children playing with Canadian-made junior science equipment illustrates one of the interesting features of the Belgian market for Canadian products. Under the statistical heading of "Games and Toys", exports to Belgium were valued at only \$2,563 in 1963. The striking fact, however, is that this was only one of 345 different classifications of exports to Belgium that year for a total value of \$76,474,-245. (See Table I.)

Table II, headed "Thirty Leads for Trade with Belgium", gives a

breakdown by main commodity groups of about 97 per cent of our exports to Belgium during the past two years. Despite the large number of individual commodities in our trade, wheat accounted for nearly

TABLE I
CANADA'S TRADE WITH BELGIUM

	Exports to Belgium	Imports from Belgium
1958	\$69,702,155	\$36,021,877
1959	56,211,811	45,086,084
1960	69,131,880	41,400,922
1961	76,054,596	44,779,618
1962	68,168,982	48,682,009
1963	76,474,245	47,341,864

half of our sales in 1963. Ores, minerals and metals for Belgian industry or for further processing here accounted for a further 22 per cent. Only about 15 per cent of our sales to Belgium appear to fall within the category of fully-manufactured products.

Exports Up

Belgium was Canada's tenth most important customer in 1963 and our total sales increased by more than \$8 million over 1962. Because our exports of wheat during the same period increased by nearly \$14

TABLE II
THIRTY LEADS FOR TRADE WITH BELGIUM

Almost 97 per cent of Canadian exports to Belgium in 1963 fell within thirty main groups. The following statistics indicate the relative importance of the principal items entering into our trade with the Belgo-Luxemburg Economic Union (BLEU) during the past two years.

	1962	1963		1962	1963
	(Canadian dollars)			(Canadian dollars)	
Total Exports	68,168,982	76,474,245	Wheat flour	344,897	393,814
Of which:			Electric and electronic equipment	1,843,645	384,577
Wheat	21,647,310	35,416,681	Textiles, fibres and clothing	77,948	379,643
Asbestos	6,119,491	5,748,435	Iron, steel and alloys	1,661,344	370,020
Lumber, pulp and paper	2,705,529	4,610,506	Meat	345,779	267,339
Lead and zinc	3,975,922	3,188,212	Hides, skins and furs	103,893	257,231
Aircraft, engines and parts	3,553,599	3,152,932	Tobacco	199,273	254,579
Fish	1,591,385	2,390,879	Dairy products	26,384	204,234
Other cereals	604,665	2,386,390			
Seeds	1,976,705	1,891,287	Total—30 main groups	66,386,137	74,652,591
Copper and brass	3,785,445	1,743,302			
Iron ore	2,455,808	1,678,462			
Aluminum	5,408,795	1,659,514			
Industrial machinery and equipment	1,794,909	1,252,054			
Biological, pharmaceutical and medical products	450,152	1,113,351			
Office equipment	692,910	912,629			
Plastics and synthetic rubber	956,642	909,067			
Nickel	310,675	816,426			
Vehicles, engines and parts	569,477	703,196			
Chemicals and plastics	594,908	657,368			
Other non-metallic minerals	328,972	626,337			
Silver ores and concentrates	696,611	434,346			
Vessels, engines and parts	1,098,030	432,352			
Whisky	465,034	417,428			

**Recapitulation of Thirty Main Groups
(1963)**

Agriculture and fish products (8 items)	43,205,203
Ores, minerals and metals (9 items)	16,265,054
Lumber, pulp and paper (1 item)	4,610,506
Aircraft, vehicles and vessels (3 items)	4,288,480
Industrial, electrical and office equipment (3 items)	2,549,260
Chemicals, plastics and synthetic rubber (2 items)	1,566,435
Biological, pharmaceutical and medical products (1 item)	1,113,351
Other items (3 items)	1,054,302
Total—30 main groups	\$74,652,591
Percentage of total represented by 30 main groups	97

the figures for both countries show an increase over 1962 of 15 to 16 per cent. The reasons for this rise, despite a high level of protection, lie first of all in the very poor crop in Belgium and throughout Europe because of the severe winter of 1962/63. The quality of the wheat harvested was poor and millers found it necessary to incorporate a greater amount of hard wheat (including Canadian) in their grist. The exceptionally large sales of Canadian wheat to the Soviet Union, other East European countries and Communist China caused some concern about future availability of supplies and importers purchased stocks of grain as a hedge against shortages or rising prices. Assuming a normal grain crop of reasonable quality in Western Europe this season, we may expect some reduction in our sales to Belgium in 1964.

Reference should perhaps be made to wheat flour. This is all shipped through Belgian ports to other destinations in Europe. Antwerp is an important transit port and several commodities, including grain, pass through it. It has been impossible, however, to obtain a true picture of the extent of this transit trade as it affects Canadian products.

The monthly reports of the Dominion Bureau of Statistics provide official figures covering exports of many of the 345 classifications mentioned above. It is, however, of particular interest and satisfaction to the trade officers in the Brussels Embassy to know that during the first quarter of 1964 they were directly involved in sales ranging from a few hundred dollars' worth of garden furniture, sports jackets and salted nuts to butter oil, plastic raw materials, lumber and clothing valued at many thousands of dollars. Other items included cheese, barbecue tools, refrigerators and sunflower seeds. Some of these products were sold as a result of the visit to Belgium of Canadian trade missions and of the Second Export Trade Promotion Conference held in Ottawa last year. ●

million, obviously a number of other products recorded substantial losses. Among these were aluminum (—\$3.8 million), copper and brass (—\$2 million), electric and electronic equipment (—\$1.4 million), and iron, steel and alloys (—\$1.3 million). The principal increases in addition to wheat came in lumber, pulp and paper (+\$1.9 million) and other cereals (+\$1.8 million).

The termination of long-term contracts for certain industrial raw materials and for electronic equipment for aircraft assembly projects was responsible in large measure for some of the substantial reductions mentioned above. New contracts for lead and zinc concentrates with ship-

ments starting in July will certainly stimulate exports in the non-ferrous metals sector during the next few years. The increase in our wheat sales to Belgium is of special importance, because it came during a year in which the full effect of the Common Market levy system began to be felt.

Wheat Sales Increased

It is true that import and export figures compiled by different statistical services seldom agree, particularly on grain shipments (indeed the Belgians show imports of Canadian wheat in 1963 valued at only \$24.6 million), so it is of interest to note that as a percentage of total trade,

Denmark

- Industrial activity and consumer demand are rising.
- Canadian exports expanded one third in 1963, had more variety.
- Trade prospects good but promotion must be keyed to market.

K. O. HILLYER, *Acting Commercial Secretary, and*
T. W. HARBOE, *Commercial Assistant, Copenhagen.*

DENMARK is one of the foreign markets where in the past two years Canadian sales have risen by more than one third. Exports to Denmark in 1963 totalled Can.\$6.8 million, an increase of almost 42 per cent over the \$4.8 million of 1961. Although Canada still has an adverse balance of trade with Denmark (total imports in 1963 dropped slightly to \$13.2 million), Danes buy almost twice as much per capita from Canadians as Canadians do from them. Prospects are bright for even bigger exports in 1964.

Annual economic reviews published in Denmark during the first few months of this year referred repeatedly to 1963 as a year of stabilization. For the first time in several years, there was an opportunity to check the serious inflationary pressures which developed when incomes rose faster than production.

Inflation Restrained

From the beginning of 1961 to mid-1962, consumer prices rose by about 10 per cent. The deficit on current account rose to an annual rate of Can.\$240 million in the first half of 1962 and net foreign exchange reserves fell to Can.\$125 million in September 1962—the equivalent of less than one month's merchandise imports. In August 1962, in an attempt to halt this drift towards severe inflation, the Government announced a stricter fiscal policy, including the imposition of a 9 per cent general purchase tax, a ceiling on government expenditures, and restraints on building activity. Although these measures stabilized the economy somewhat, it

was evident early in 1963 that additional efforts were needed. One major concern was that escalator clauses (dependent on cost-of-living indices) built into wage agreements were about to trigger wage increases.

In March, a "package" solution was presented to and approved by the Danish Parliament. It imposed small but progressive wage increases for two years, introduced a compulsory savings scheme, and instituted a price/profits stop, with price increases permitted only where they would be justified because of increased raw material or transportation costs. This government intervention in the field of prices, profits and wages plus the maintenance of a tight fiscal policy had the desired effect, for by the end of 1963 the foreign exchange reserves had increased to a record Can.\$370 million, Can.\$267 million more than at the 1962 year-end. Much of this increase resulted directly from Danish loans raised in capital markets abroad.

Economy Overheated?

The quickened pace of the economy in the last six months of 1963 continued in the first three months of 1964. As inflation was held in check, Danish exports found larger markets abroad and consumer demand expanded at home. The tempo of industrial activity speeded up to satisfy the larger markets. Many Danish economists feel that the danger signals of an over-heating of the economy have already appeared. Because most wages are tied to the cost-of-living index, a general wage rise of from 4 to 5 per cent has

been triggered by both the January and April indices. This, combined with increasing prices for imported industrial raw materials and trade restrictions imposed by other European markets to lessen their own inflationary pressures, will force Danish industry to watch its competitive position closely. Export markets absorb 25 per cent of Denmark's industrial production and this makes the economy sensitive to trade restrictions in foreign markets.

Exports Face Competition

The structure of the economy, especially its dependence on agricultural export earnings and on imports of raw materials, makes it vulnerable to external pressures. Although Danish agricultural exports have increased in past years, they have done so with greater difficulty. The failure of Britain to obtain membership in the European Common Market forced Denmark to accommodate itself to living with one of its two major markets for farm products inside and the other outside the Six. The continuation of protectionist agricultural policies in its major markets has accentuated the problem.

In answer, Denmark has been striving over the past decade to broaden its economic base by expanding non-agricultural employment and exports—and it has succeeded. Between 1952 and 1962, the share of industry in total commodity exports rose from 28 to 50 per cent, and during the same period the agricultural labour force was reduced by one-third. Nevertheless, because of the increasing difficulty in finding adequate markets for farm products, any inflationary tendencies which endanger their competitive position pose a severe threat.

Danish exports in 1963 rose to Can.\$2,030 million, an increase of 14 per cent over 1962. Exports of farm products (including canned milk and meat) totalled Can.\$930 million and of industrial products, Can.\$880 million. Denmark's imports fell slightly in 1963 from the previous year to Can.\$2,290 million

as economic restrictions held back domestic demand.

Imports Up Sharply

As the import figures for the first two months of 1964 show, the industrial pressures and consumer demand resulted in a startling rise in imports: for January and February they were 25 per cent above the same period in 1963. Danish exports during the same two months rose only slightly, and the adverse trade balance is now double that for the same time last year. These figures have caused concern because if this trend continues, the stability achieved in 1963 will be threatened. As this is an election year, it is likely that the solution will take the form of financial or monetary restriction, rather than direct restraints on imports or on consumer demand. Denmark's major objective is to increase its exports. Greater industrial activity and unrestricted consumer demand augur well for rising imports and bigger Canadian sales.

Trade with EFTA and EEC

The Danish Minister of Foreign Affairs recently likened Denmark's trading dilemma to an acrobat performing on two horses going in opposite directions. Denmark is a member of EFTA, the aim of which is not only to create a free market between member countries but also to achieve the economic integration of all West European countries. The Danish Prime Minister stated recently that the Government of Denmark considers a common market comprising Britain, West Germany and the Nordic countries to be the only satisfactory long-term solution.

This view is supported by figures showing Denmark's trade with the two European economic communities, which in 1963 accounted for 72.4 per cent of total Danish exports. Purchases by EFTA countries accounted for 43.6 per cent, with exports to Britain alone making up 23.3 per cent. Danish exports to the EEC comprised 28.8 per cent, with exports to West Germany making up 17.2 per cent.

In the same year, 69.5 per cent of imports came from EEC and EFTA countries. Imports from the EEC constituted 35.9 per cent of total imports, of which 21.0 per cent came from West Germany. Imports from EFTA countries represented 33.6 per cent, with Britain supplying 14.6 per cent.

Compared with 1962, Danish imports from EFTA countries increased by only 1.8 per cent in 1963 to Can.\$770 million, because of somewhat larger imports of solid and liquid fuels, chemicals and processed products for industrial purposes. Imports of non-electrical machinery and motor vehicles decreased.

Danish exports to EFTA countries, however, rose by 16.4 per cent to Can.\$880 million, principally because of larger exports of agricultural products, especially bacon and butter, and industrial products such as chemicals, drapery goods and clothing, machinery, and old and new vessels. Exports of livestock products are expected to encounter serious difficulties when the common

agricultural policy is fully implemented.

Danish imports from the EEC in 1963, at Can.\$822 million, were 5.1 per cent smaller than in 1962. The decrease resulted mainly from smaller imports of solid and liquid fuels, chemical products, iron and steel, and motor vehicles.

Denmark's exports to the EEC, however, rose by 16.4 per cent to Can.\$583 million, with larger exports of live cattle, bacon and pork to France, and beef and veal to Italy. Grain, seed and beet sugar exports also expanded and those of animal and vegetable oils and fats, chemicals, semi-processed metal products, machinery, furniture and industrial products made gains.

Denmark's trade with EFTA and the EEC in 1963, in fact, repeated the pattern of the past few years. Imports from the EEC exceeded those from its EFTA partners, but exports to EFTA countries continued to be much larger than those to the EEC.

The current policy of the Danish Government is:

TABLE I
CANADIAN EXPORTS TO DENMARK

	Total value in Canadian dollars		
	1961	1962	1963
Metal and refinery shapes	926,000	2,009,000	1,648,000
Asbestos fibres	1,162,000	970,000	918,000
Dairy products	21,000	132,000	413,000
Industrial machinery	125,000	128,000	370,000
Chemicals, plastics and paints	567,000	664,000	367,000
Tobacco	165,000	96,000	363,000
Office machinery and equipment	272,000	403,000	350,000
Medicines, pharmaceuticals and medical goods	51,000	95,000	286,000
Lumber and plywood	243,000	143,000	285,000
Cereals and cereal products	5,000	54,000	219,000
Fish and fish products	205,000	142,000	205,000
Grass seeds	21,000	65,000	155,000
Yarn and fabrics	428,000	481,000	141,000
Canned goods (including pickles)	2,000	4,000	115,000
Electronic equipment	7,000	109,000	97,000
Service industry equipment	1,000	5,000	92,000
Gin and whisky	48,000	49,000	87,000
Electrical equipment	18,000	47,000	81,000
Transportation equipment	141,000	57,000	58,000
Agricultural machinery	22,000	41,000	43,000
Hides, skins and furs	10,000	28,000	41,000
Clothing apparel and footwear	14,000	24,000	37,000
Sporting goods, games and toys	26,000	11,000	34,000
Other goods n.e.s.	333,000	298,000	406,000
Total exports	4,813,000	6,087,000	6,811,000

● To adhere firmly to its EFTA obligations.

● To secure all possible concessions, particularly in the agricultural field, from its EFTA partners in compensation for losses in exports to the EEC.

● To continue to work for the integration of the two economic communities in the spirit of the Stockholm Convention of 1959.

Denmark looks with considerable hope to a successful series of negotiations at the Kennedy Round. Because of the large volume of agricultural exports, Danish authorities consider it vital that agricultural commodities receive the same attention as industrial products. The restrictions which Danish produce has encountered in the EEC and recent policy statements of several of the negotiating parties have caused concern that agriculture will be relegated to a secondary place on the agenda.

Canadian Exports

Canadian exports to Denmark in 1963 expanded both in variety and in volume (see Table I). The slower pace of industrial activity early in 1963 meant that exports of copper bars and rods fell slightly. Metal and refinery shapes, however, remained the largest export. Shipments of asbestos declined because new building was restricted. The most dramatic increase in exports was Can.\$390,000 worth of skim milk powder for animal feed. This market will expand only if Canadian exporters can hold their prices. Trade sources predict that any sizable price increase will make it uneconomical to feed skim milk to swine and thus restrict its use to veal production only.

Sales of chemical and plastic products are down because of greater local production and European competition. Increased exports of such products are probable, as Canadian suppliers have recently obtained large orders from appliance manufacturers. Proof of Canada's increasing industrial capability is the

volume of machinery exports—particularly general industrial machine tools—which rose in 1963 to Can.\$370,000. The dramatic increase in pharmaceuticals was the result of sizable imports of vitamin preparations, a new export to Denmark in 1963.

Sales of lumber products will undoubtedly rise if building activity continues to speed up. These exports previously consisted of Douglas fir and hemlock lumber, but they now include maple flooring and Douglas fir plywood. Exports of grains and cereals also rose dramatically in 1963. These were mostly oats for feeding and wheat flour for re-export as bakery goods, but expanding opportunities for feed grains should mean increases in 1964. Exports from Canada to Denmark this year should surpass even those of 1963. Figures for January and February are already running ahead of the same period in 1963.

Denmark is a small and concentrated market with a high per capita income. The Danes are modern in

outlook and pace-setters in style. Their businessmen are keen, aggressive and price-conscious. Canadian exporters face strong competition from Britain, West Germany and Sweden. These countries are close to the market and not only enjoy reduced freight rates, but also close personal contacts with Danish importers. If a Canadian exporter wants to obtain a share of this lucrative market he must plan his campaign as carefully as if he were expanding in Canada. He should pay attention to good representation, competitive pricing, competent servicing and effective advertising. Results will justify the effort. One Canadian manufacturer of coin-operated machinery, for example, shipped his first machine to a prospective agent for market testing in June 1963. A year later, 12 machines were in operation around the country. The Commercial Division at the Canadian Embassy in Copenhagen is glad to help any Canadian exporter gain his share of this small but rich market. ●

Britain Adopting Self-Service

THE trend towards the adoption of the North American style self-service retail grocery store continues to be a significant factor in the grocery trade in Britain. The number of these high-volume, low-margin, self-serve grocerias increased from less than 4,000 in 1957 to over 11,000 by the spring of 1963, according to figures recently released by the British Board of Trade, and new outlets of this kind are opening at the rate of 100 a month. During the same period their sales climbed from £207,000 to approximately £600,000. In terms of the overall retail grocery trade, this means that the self-serve stores now account for 20 per cent of total sales, compared with 10 per cent in 1957.

The economies achieved by this kind of retailing have been proved by the experience of the British trade. Although the self-serve stores account for 20 per cent of total sales, they employ only 15 per cent of the total work force engaged in retailing groceries. The average sales figure for the retail grocery trade at large is £4,700 per employee, while the aver-

age sales per employee in a self-serve store amount to £6,200.

The same trend to concentration evident in the retail grocery trade in North America is seen in Britain. The smaller retail outlets of the co-operative grocery societies are losing ground to the large-scale, multi-unit retailers. Companies with ten or more branch outlets now account for more than 40 per cent of the total sales for all self-service retail stores.

Although the trend to self-service outlets is a well-established feature of the British retail grocery trade, it is by no means predominant. Unlike our large shopping-centre developments, the usual British grocery store is modest in size. Of the 11,000 self-serve grocery stores in operation last year, only 108 had a selling area of 5,000 square feet or more. Moreover, the switch to North American style marketing of groceries has not proved successful throughout the country. The self-serve grocery outlet, in fact, is concentrated chiefly in the London area and in the heavily urbanized southeast region. ●



In Italy—This display of women's sports clothing at the National Canadian Samples Show in Toronto in 1963 was purchased by a buyer for La Rinascente-Upim, an Italian department store. Reorders were received—proof of the acceptance of Canadian styling.



In Belgium—Belgian housewives are finding washday chores are lighter, now that laundromats have made their appearance in many cities. This one in Antwerp is equipped with Canadian-made coin-operated automatic washers. Several others have been set up in Britain.



In the Netherlands—These live lobsters haven't reached Danish markets yet, but they are starting the first leg of their long journey at the airport at Yarmouth, Nova Scotia. They will be transferred at Montreal to another Air Canada aircraft bound for continental Europe. This has become a flourishing trade.

Finland

- Slowdown that began in '62 continued last year.
- Imports of investment goods down sharply as expansion curbed.
- Canadians selling variety of goods; exports up over \$2 million.

JOHN BELL, *Assistant Commercial Secretary, Stockholm.*

FINLAND'S 4½ million inhabitants have traditionally looked to the forests for their livelihood, though since the war other branches of industry have gained in relative importance. The metalworking group, enlarged as a result of Finland's war reparations, now accounts for 22 per cent of the gross national product and the forest industry for 26 per cent. The two components of the "green gold" industries—wood products and paper products—made up no less than 72 per cent of total Finnish exports in 1963. The metalworking industries have both expanded (250 per cent over 1948 level) and diversified and now sophisticated paper and board machinery, ice-breakers, and road machinery are finding a place in international markets. The food industry is also important, with dairy products in the lead.

But Finland still lacks a variety of resources. The forests continue to provide the economic base although there are eight ore mines currently extracting copper, zinc, nickel, pyrites and iron. But only in copper is Finland a leading European producer. This means that to maintain its relatively high standard of living, the country must import large amounts of raw materials and this explains in part the deficit on commodity account in the past few years.

Recession Continues

In 1963 the slowdown in the economy first felt early in 1962 continued. The 9 per cent increase in national income was offset by a 5 per cent rise in prices, resulting in a real increase in income of only 4 per cent, compared with 5½ per cent in 1962 and 11 per cent in

1961. The gross national product was estimated at U.S.\$6,194 million, or \$1,363 per capita. The rise in costs and prices, accompanied by economic contraction, gave cause for concern. Investment was also down: a survey made by the Bank of Finland shows that additions to industrial plant and equipment last year were 14 per cent less than in 1962. Building was gradually slackening towards the close of 1963 and many observers were not expecting much expansion in the near future because of credit restrictions and smaller profits in key industries with rising costs. Any tendency towards an upswing was restricted to the forest industry and even here, a larger volume of exports sold for lower prices.

Trade and Trade Policy

In addition to raw materials used in metal and other industries, Finland buys a wide variety of consumer goods from abroad, ranging from automobiles to luxury products. In 1963, exports rose 3.5 per cent (from \$1,104.1 million to \$1,149.4 million) and imports fell 1.6 per cent (from \$1,227.8 million to \$1,208.4 million). The trade deficit thus totalled \$59.1 million compared with \$123.7 million in 1962. Table I, showing 1963 changes in the main components of Finland's trade, suggests that the most important factor influencing imports was the reduction in purchases of investment goods.

Finland's trade with most Western countries is handled on a multilateral basis, but trade with most of the Communist Bloc and a few other countries is conducted by bilateral agreements. Most exports to Finland from countries coming under the multilateral arrangements enter without licences, some are on a special quota list, and the remainder are under individual licence. About 80 per cent of total Finnish imports are licence-free, about 17 per cent are subject to global quotas, and about 3 per cent require individual licensing. Where global quotas are used, each Finnish

TABLE I
FINLAND'S EXTERNAL TRADE

Group of Products	1962 (million FM)	1963	Change 62-63 (per cent)	Share	
				1962 (per cent)	1963
EXPORTS					
Paper industry products	1,589	1,752	+10	45.0	47.8
Wood industry products	770	812	+ 5	21.8	22.1
Round timber, etc.	190	113	-41	5.4	3.1
Metalworking industry products	663	601	- 9	18.7	16.4
Agricultural products	144	165	+15	5.1	4.5
Others	177	222	+25	4.0	6.1
Total exports	3,533	3,665	+ 4	100.0	100.0
IMPORTS					
Raw materials, etc.	1,762	1,827	+ 4	44.9	47.2
Investment goods	1,145	1,004	-12	29.2	26.0
Consumer goods	650	662	+ 2	16.5	17.1
Fuels and lubricants	371	373	+ 1	9.4	9.7
Total imports	3,928	3,866	- 2	100.0	100.0

importer receives a fixed share of that quota, based upon his imports in 1955 and 1956. However, the licensing authorities reserve up to 20 per cent of the licences for new importers and unexpected needs. So long as he does not exceed his allotment, the importer may buy freely from the country of his choice.

The Finn-EFTA Agreement

Since March 1961, when agreement was reached in Helsinki, Finland has been an associated member of the European Free Trade Association. By this agreement, exports from EFTA countries to Finland in most instances pay the lower internal EFTA tariff rates—as do Finnish exports to EFTA countries. The main differences between the Finnish-EFTA Agreement and the Stockholm Convention of EFTA itself is that Finland is reducing its tariff on certain commodities more slowly than the EFTA countries and has been allowed to make concessions to nations with which it has bilateral agreements. As of May 1, 1964, Finland's customs duties on EFTA goods have been cut, save for certain exceptions, to 40 per cent of the duty facing non-EFTA products. Almost complete elimination of duties within EFTA is planned for December 31, 1966; Finland's tariff for EFTA countries is expected to be eliminated by December 31, 1967.

In 1963 Finland's main suppliers were Germany 18 per cent, the U.S.S.R. 16, Britain, 16 and the United States 7. The EEC countries accounted for 32 per cent of Finland's imports, the EFTA countries for 36 per cent, and Communist Bloc countries for 21 per cent. It is interesting to note that exports from the EEC to Finland were down 12 per cent from 1962, and EFTA exports to Finland by only 1 per cent. Of Finland's exports, 31 per cent went to EEC countries, 33 per cent to EFTA countries, and 21 per cent to Communist Bloc countries. Exports to EFTA increased 5 per cent over 1962 and exports to EEC rose in the same period by 9 per cent.

On the other hand, Finnish exports to Communist Bloc countries decreased by about 1 per cent.

Canada's Trade with Finland

Canada provides Finland with about 0.6 per cent of its imports and ranks 18th as a supplier. By far our largest export to Finland is wheat, which accounted for 56 per cent of our sales there last year and for 58 per cent in 1962. Wheat sales increased by almost a million dollars last year, making our total sales to Finland the highest in history. Our exports were over three times larger than in 1958 and, as in the past, exceeded our imports by a wide margin. Our purchases of

Finnish goods are rising steadily, however.

Although wheat dominates our exports, they are quite diversified and include apples, lobsters, industrial machinery for the forest industries, and non-ferrous metals. In fact, only six years ago DBS statistics listed 55 Canadian commodities as exports to Finland; today they list 155 classifications; for a more precise idea see Table III.

Sales Outlook

Prospects for Canadian exports to Finland appear promising for foodstuffs, canned and fresh, and for special types of machinery—in fact, for anything new and different or anything that is well priced for its quality. Raw materials of various kinds will remain in demand as the Finns increase their emphasis on the metalworking and other secondary industries. On the other hand, immediate prospects for goods associated with capital investment do not appear bright.

Watching both the Swedish and Finnish markets from our Stockholm office, we have noted with interest that the Finnish market may be more productive for certain products than the Swedish. Why? Probably because Finland has a smaller population and per capita income than Sweden and many foreign salesmen concentrate on Sweden first. There may be less competition in Finland. One Canadian exporter of a special type of filter started to sell in both countries simultaneously. Last year he had orders worth \$15,000 in Finland, but Swedish buyers had placed only a few trial orders. Moreover, some exporters believe that Finland must purchase its imports from Communist Bloc countries. Often a key consideration is the Canadian's ability or willingness to finance his sales to Finland. In the present inflationary period, Finnish firms face stringent credit restrictions. Importers normally pay by cash against documents but in some instances the offering of credit terms may make the difference between a sale and a good try. ●

TABLE II
CANADA'S TRADE WITH FINLAND

	Exports to	Imports from
	(Can. dollars)	
1958	2,334,211	564,441
1959	2,772,640	946,832
1960	4,355,024	1,053,640
1961	6,084,582	1,215,116
1962	5,239,899	1,939,393
1963	7,276,562	2,519,804

TABLE III
WHAT WE SELL TO FINLAND
(items over \$55,000)

	1962	1963
	(Can. dollars)	
Barley	.....	183,313
Seed wheat n.e.s.	.....	541,265
Wheat	2,989,300	3,987,896
Apples, fresh	96,217	77,719
Cloverseed	380	106,942
Flaxseed	.....	535,194
Wood pulp, sulphate unbleached	65,742	115,018
Plastics and synthetic rubber	317,388	123,115
Aluminum pigs, ingots, slabs	351,474	283,233
Industrial trucks, tractors and parts	50,762	138,750
Chain saws and parts	246,416	85,629
Engines, aircraft, and parts	47,949	147,595
Card punch machinery, computers and parts	121,073	130,451
Pulp and paper industrial machinery and parts	67,403	46,096
Polyethylene resins not shaped	11,325	56,592
Asbestos milled fibres grades 4 and 5	139,850	55,750
Tobacco bright virginia flue-cured	65,581	32,533
Phenols, phenol alcohols and derivatives	72,534	24,212

Greece

- Industrial production almost exceeds agricultural production.
- Trade deficit up to \$454 million, with big increase in imports.
- Our sales up 50 per cent in 1963; many commodities gained.

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

THE Greek economy on the whole progressed in encouraging fashion last year, despite some political uncertainties and the shadows cast by Cyprus. Most signs indicate that this progress will continue in the current year, provided that the present confidence in the drachma is maintained.

Most of the available indices for 1963 (some are provisional figures) confirm the generally satisfactory economic position. The gross national income at constant prices rose, according to data of the National Accounts Division of the Ministry of Co-ordination, by 7.6 per cent compared with 3.1 per cent in 1962. This is the highest rate of growth in the past five years, except for 1961. Farm income rose by 8.8 per cent over 1961, the best year since the war, as a result of favourable growing conditions and improved farming methods (including greater use of fertilizers). Secondary production (manufacturing, mining, public utilities, and construction) rose by 7.3 per cent as against 6.3 in 1962, and manufacturing production by 7.3 per cent as against 4.7 in 1962.

Gross fixed investment increased 6.3 per cent but this was substantially below the 1962 rate of growth. The decline was the result of smaller public investment. Total private investment rose by almost 13 per cent; in industry and mining alone it went up by 11.3 per cent.

Industrial Progress Striking

Perhaps the best indication of the industrial progress in Greece is the possibility that in 1965—or conceivably this year—its total product may

surpass that of agriculture for the first time in the country's history.

Among the new plants brought into being within the past few years are a modern oil refinery (state-owned but leased temporarily to private interests), one large and a number of smaller textile plants, a \$20 million shipyard, a modern blast furnace, a large rubber tire factory, a number of chemical and pharmaceutical plants, a second large brewery, several beverage and food manufacturing plants.

Among the many new installations planned or actually under construction are a second shipyard, two refractory plants, a nickel-iron installation, a pulp mill, a third brewery, and numerous other plants in the chemical byproducts, pharmaceutical, paper, clothing, household implements, electrical, vehicle, food processing and beverage sectors. May 9, 1964, saw the start after long delays of construction on the Esso-Pappas combined oil refinery-chemical complex-rolling mill-steel plant project. This will involve a total foreign investment of something over \$150 million. It is being built a few miles west of Salonica in northern Greece. Associated with Tom Pappas, a Greek-American entrepreneur, in this venture are the Standard Oil Company of New Jersey, the Ethyl Corporation, and the Republic Steel Company. Another important chemical plant based on salt available at Missolonghi in west central Greece will be associated with it. It is reported to involve an investment of \$20 million.

Another large enterprise is that of the French Aluminum Company,

Pechiney. It has formed a Greek subsidiary known as Aluminum de Greece S.A. and will soon begin building a smelter on the northern side of the Gulf of Corinth, using the large bauxite deposits in that area. It is reported that the smelter will have an annual production of 100,000 tons of alumina and a possible output of 50,000 tons of metal. This project is expected to call for the investment of \$100 million or more.

Finally, the Greek Government completed last year at Ptolemais in northern Greece a nitrogenous fertilizer plant which is to produce annually 35,000 tons of ammonium sulphate, 35,000 tons of ammonium nitrate, and 4,000 tons of liquid anhydrate ammonia. This \$72 million plant is powered by electricity from a nearby thermal-electric plant. It recently placed an order for 20,000 tons of Canadian sulphur valued at \$600,000 c.i.f. Salonica.

The outlook for Greek industry generally during the rest of the year is bright. One of the main reasons is that agriculture has enjoyed unusually favourable years in 1962 and 1963 and the resulting income in the rural areas will stimulate most domestic industries. The over-all industrial index for February, the latest available, shows an 8 per cent increase over February 1963.

The Agricultural Picture

The year 1963 was a record one for Greek agriculture as a whole despite the fact that wheat production, at 1,387,000 metric tons, was the smallest for many seasons. At the time of writing, the outlook for 1964 is fairly promising although this will be an off-year for olives and olive oil. (The olive tree bears generously only in alternate years.) Moreover, the area sown to cotton is reported to be only 155,000 hectares (380,000 acres) as against 237,000 (580,000 acres) last season.

The Ministry of Agriculture has been trying for some years to persuade farmers to grow more cotton and has had some success but the

cost of picking is so high that many farmers find the net return disappointing.

In 1962 and 1963, production of wheat, rice, tobacco, cotton, citrus fruits, potatoes, and sugar beets improved noticeably over the pre-war figures. Greek table potatoes are largely grown from imported seed stock and seed potatoes from Prince Edward Island and New Brunswick have become one of the principal Canadian exports to Greece.

On the basis of the acreage sown to wheat and provided that good growing weather continues, it is expected that some 1.8 million metric tons of wheat will be harvested—a record.

Great efforts are being made to improve standards of quality and packing of fruits and some vegetables to take advantage of the market opening up through Greece's association with the EEC.

With its limited fertile areas, and in some regions of the mainland and on many of the islands a serious shortage of water, Greece can probably never hope to be self-sufficient agriculturally. But with improved farming methods and greater application of fertilizers, much can be accomplished. The need for this is underlined by the fact that total imports of agricultural products for human consumption amounted in 1963 to \$117 million, plus another \$38 million for agricultural raw materials such as hides (\$5.3 million), wool (\$18 million), and cotton (\$1.8 million).

Progress has been less satisfactory in livestock and dairy farming and poultry raising. The Ministry of Agriculture realizes this and is trying to encourage their expansion by research and development centres, by financial incentives, and subsidies. Imports of these products in 1963 were as follows (in millions of U.S. dollars): meat \$37.7, milk \$9.7, cheese \$2.2, butter \$0.5, and eggs \$0.246.

The poultry industry is growing apace both in layers and broilers. Two Canadian firms have con-

TABLE I
FOREIGN TRADE OF GREECE 1959-1963

	1959	1960	1961	1962	1963
	(millions of U.S. dollars)				
Imports	470	520	583	660	750
Exports	213	208	234	243	296
Trade deficit	257	312	349	417	454

TABLE II
GREEK EARNINGS FROM PRINCIPAL INVISIBLES

	1959	1960	1961	1962	1963
	(millions of U.S. dollars)				
Shipping remittances (gross)	60	77	102	109	125
Tourist receipts	42	49	63	76	95
Emigrants' remittances	89	90	98	117	129
Total	191	216	263	302	349

tributed to this development over the past three years by supplying not only chicks but expert advice and, in one instance, by a substantial donation of chicks to a government research and development centre working in this field.

Trade Deficit Large

The course of Greek foreign trade over the past five years is shown in Table I. The reader will note that, apart from exports in 1960, all figures have exhibited an unbroken rise but the increase in imports has been appreciably larger than in exports. The deficit on trade account reached \$454 million by the close of 1963. This was largely, but by no means entirely, due to increasing purchases of capital equipment for development. In addition, the policy of almost free imports followed by Greece has resulted in large increases in imports of foodstuffs and of manufactured consumer goods of all kinds.

Income from Invisibles

Fortunately, advancing income from various invisibles offsets to a large extent the heavy trade deficit. Of these the three most important are foreign exchange earnings from (a) shipping, (b) tourist expenditures, and (c) emigrants' remittances. These earnings over the past five years, and the resulting current account deficit (the trade deficit less a + b + c, plus other miscel-

laneous service earnings) are shown in Table II above.

Foreign exchange earnings from certain other services reduced the over-all deficit on current account to the following totals:

Over-all Current Account Deficit (U.S.\$ million)

1959	61
1960	100
1961	103
1962	123
1963	96

The net inflow of private capital; official grants from the United States and from other countries (including a NATO defence-aid grant from Canada in kind equivalent to \$1 million); reparations payments from Italy; restitution payments from Austria, West Germany, Rumania, and Yugoslavia, (and from the United Nations for refugees); plus loans from the United States and from European sources have more than made up the deficit on current account during each of the past five years. The holdings of gold and convertible foreign exchange assets at the end of 1963 equalled U.S. \$278 million, enough to cover less than five months' imports.

Relations with EEC

The Treaty of Association with the EEC was signed in Athens on July 9, 1962, after protracted and difficult negotiations and came into effect on November 1, 1962. Its

TABLE III
GREEK TRADE WITH EEC COUNTRIES

	1962	1963
	(millions U.S.\$)	
Greek imports from EEC	283	295
Greek exports to EEC	84	90
Of which:		
Tobacco	(27)	(42)
Exports other than tobacco	(57)	(48)

TABLE IV
CANADA'S COMMODITY TRADE WITH GREECE

	1961	1962	1963
	(thousands Can.\$)		
Exports to	4,995	5,235	7,429
Imports from	545	1,094	1,631
Balance in Canada's favour	4,450	4,141	5,798

main provisions were that Greece should benefit equally with the Six from the early reduction of the tariffs between them but should have from 12 to 22 years in which to reduce progressively its protective duties against imports from them.

There is a good deal of dissatisfaction in Greece with the results of the association to date. Greek exports to the Six, instead of rising as was hoped, actually declined in 1963, with the exception of tobacco. Imports from the Community increased substantially, as shown in Table III above. The drop in exports other than tobacco has been due perhaps to weaknesses in Greek production, particularly of agricultural products (quality control, packing, etc.) and lack of adequate transport facilities between Greece and Western Europe. These weaknesses are being corrected.

Canadian Trade with Greece

Canada's exports to Greece (apart from secondhand ships) increased in 1963 by 50 per cent over 1962; imports from Greece rose by roughly 60 per cent during the same period. Table IV, showing the trend of Canadian-Greek trade over the past three years, covers commodity trade only. The trend of trade in both directions is up and indications are that, on the whole, this trend will continue.

TABLE V
PRINCIPAL CANADIAN EXPORTS TO GREECE

	1962	1963	1962	1963
	('000 Can.\$)		('000 Can.\$)	
Pork, canned n.e.s.	5	992	Fire brick and refractories n.e.s.	102 31
Salmon, pink, canned	9	11	Asbestos brake lining	17 20
Milk powder, skimmed	32	50	Engines, turbines and parts	0 11
Malt	0	14	Rock drilling machinery	61 77
Wheat flour	54	27	Textile industrial machinery and parts	18 11
Seed potatoes	724	266	Poultry farm and apiary machinery and parts	15 0
Whisky	10	20	Passenger autos and chassis	49 57
Cattle hides, raw	13	56	Engines aircraft and parts	4 23
Calf and kip skins	30	57	Aircraft assembly and parts	10 5
Flaxseed	216	231	Passenger and truck tires and tubes	474 320
Cotton waste	8	23	Heat fuel burning equipment and parts	30 30
Synthetic fibres and waste n.e.s.	91	218	Air conditioning refrigeration equipment and parts	6 25
Copper scrap	365	10	Transformers and parts	0 14
Asbestos milled fibres	139	262	Spark plugs and parts	83 186
Asbestos shorts group	17	3	Washing machines, domestic, electric	30 16
Furs, dressed mink	31	39	Card punch machinery, computers and parts	46 3
Lumber, spruce	0	95	Office machines and parts	22 7
Wood pulp bleached sulphite	0	235	Biological products for human use	21 14
Wood pulp sulphite, unbleached strong	61	256	Stationery paper, office supplies n.e.s.	..... 26
Newsprint paper	267	648	Contractors' equipment and tools	0 276
Yarn and thread of synthetic fibre	43	10	Secondhand ships	4,000 0
Papermakers' felts	22	50	Total all exports	9,234 7,429
Radioactive isotopes	0	11	Total less secondhand ships	5,234 7,429
Polyethylene resins unshaped	5	40		
Polystyrene resins unshaped	95	16		
Plastics and synthetic rubber not shaped n.e.s.	43	59		
Sheet strip steel galvanized	120	50		
Sheet and strip steel n.e.s.	151	116		
Aluminum pigs, ingots	727	1,017		
Aluminum bars, rods, plates	0	253		
Copper of all kinds except scrap	270	133		
Nuts, bolts, screws, washers	54	54		

The heavy trade balance in Canada's favour continued in 1963 but Greek officials and business leaders understand that this imbalance is offset and perhaps more than offset by invisibles—such as earnings of Greek ships carrying Canadian cargoes, remittances from Greek immigrants working in Canada, and the expenditures of the growing number of Canadian tourists and business visitors coming to Greece. The number of the two latter increased to 9,414 in 1963.

There is an expanding demand in Greece for many food products, provided that Canadian producers can make supplies available at competitive prices. Examples are canned salmon, skimmed milk powder, wheat flour, and salmon roe (sometimes known as red caviar). (See Table V.) The same is true of many

raw and construction materials, such as asbestos, lumber, wood pulp and aluminum (at least until the new smelter comes into production two or more years from now).

Sales of many of the manufactured and semi-manufactured products listed could probably be increased if Canadian firms found it possible to send a senior representative to Athens to survey the market.

An interesting addition to the movement of Canadian goods to Greece took place in April of this year—the sale of the first cargo of 20,000 tons of Canadian sulphur, valued at \$600,000, to the State Nitrogenous Fertilizer Corporation at Ptolemais. An order was recently placed for one million F.B.M. of B.C. hemlock. This is, it is believed, the first order for Canadian hemlock ever placed from Greece.

An indication of the growing competitiveness of Canada's secondary industry and the effects of expert and vigorous export effort is the fact that during the past year two large Canadian manufacturers came very close (second) to securing large orders (approximately \$1 million to

\$3 million respectively) for special cable and for diesel electric locomotives against worldwide competition. In each instance, special circumstances operated against them. Several other important Canadian firms are bidding actively at present on important projects in this country.

Canadian imports from Greece were valued at \$1.6 million last year, compared with \$1.1 million in 1962. Leading imports were single and plied yarns, olives and olive oil, furs and fur goods, cheese, magnesia, air-compressing machinery, and tobacco. ●

Ireland

- GNP for 1963 rose £26 million over 1962.
- Participation in industry encouraged by incentives and grants.
- Canadian exports up to £7.4 million; tariffs now lower.

P. V. McLANE, *Commercial Counsellor, Dublin.*

IRELAND made spectacular economic progress between 1959-63 under the stimulus of the First Program for Economic Expansion. The gross national product at cost market prices (1953) rose from £524.9 million in 1958 to £623 million in 1962, with a further increase to £649 million in 1963. That year, manufacturing industries showed a growth rate of 6.5 per cent; agricultural progress was less rapid. A further rise of at least 4 per cent is expected this year.

Expansion Encouraged

The Second Program for Economic Expansion was announced in August 1963 and covers the seven years 1964-1971. A revised and more detailed plan will be published this year. The program is based on an increase in the real gross national product of 4 per cent a year: 2.7 per cent for agriculture, forestry and fishing; industry, 7.0 per cent; other domestic areas, 3.6 per cent, to reach an estimated GNP of £1,003 million in 1970 at current (1960) prices. The export market is the key to the success of the program. In preparation for possible entry into the Common Market and to make the country more com-

petitive, import tariffs were cut 10 per cent in January 1963 and 10 per cent in January 1964, and further cuts are intended. Industry is being encouraged in every way to become more competitive and export promotion is being stressed.

Foreign participation in Irish industries has been successfully encouraged by various grants and concessions. Since 1959 about 133 companies have been established in Ireland with an employment potential of 19,500. Total capital investment is given as £38.5 million. These companies are manufacturing a wide variety of products, ranging from ballpoint pens to fork-lift trucks, and from chewing gum to pianos. Most of them concentrate on the overseas market, thus adding to export earnings. At the end of 1963, 32 factories were being built, and negotiations for 26 others have now reached an advanced stage.

Contacts with EEC

Close contacts are being maintained with the European Economic Community with the objective of improving trading relations. The Government has also decided to reopen discussions on the terms of accession to the GATT. However, the most

important market for Ireland is Britain and every effort is being made to improve the close economic links between the two countries.

Cost of Living

Consumer prices were 2.5 per cent higher on an average in 1963 than in 1962. In November 1963, a general turnover tax of 2.5 per cent was levied on retail sales of goods and services. This resulted in price increases. Unit pay-hour costs declined slightly, with average hourly earnings in manufacturing up 3 per cent between September 1962 and September 1963—only two thirds of the increase in productivity. There have been further wage and salary increases for police and national teachers as well as the ninth wage increase (12 per cent) for industrial workers. These increases will have an inflationary effect, though this will be offset to some extent by the fact that more people will be paying income taxes and the increased taxes on gasoline, cigarettes, beer and imported spirits, and more also for Post Office services.

External Trade

Exports were valued at £191.3 million in 1963 as against £168.9 million in 1962. Live animals, food and food preparations still bulk largest and accounted for £117.2 million in 1963, up from £103.4 million the previous year. Live animals (£52.8 million in 1963), meat (£33.8 million), and dairy prod-

ucts (£11.4 million) made up most of this trade.

Imports, which continue to rise, were valued at £306.4 million in 1963 compared with £273.7 million for the previous year. Imports of consumer goods and of machinery and materials for industry have been increasing.

The adverse balance on merchandise trade for 1963 amounted to £115.1 million. However, this was offset by receipts of £27.1 million from tourists and travel, £15.8 million from income on investments and profits, £12.8 million from emigrants' remittances and legacies,

and £5.5 million from pensions and other smaller items. This left a net adverse balance on international account of £22.1 million. This seems to have been absorbed without any adverse effects.

Trade with Canada

Irish trade statistics showed Canada's exports in 1963 at £7.4 million (£6.0 million in 1962) and our imports from Ireland were valued at £3.2 million (£1.7 million in 1962).

Ireland is gradually making headway in the Canadian market, with sales chiefly of chocolate crumb,

wool, jute, yarn and thread, knitted fabrics in the piece, and lifting and loading machinery. In 1963, Canada bought one ship valued at £1.5 million.

Canada sells a wide range of commodities to Ireland; the most important are wheat, newsprint, aluminum ingots, forest products, synthetic rubber and fish products. New products are being added to the list each year, and as tariffs are lowered and the Irish economy continues to expand, we should be able to maintain our present markets and to introduce new lines. ●

Italy

- Trade deficit last year nearly 80 per cent higher than in 1962.
- Rapid inflation of the last two years seems to be held in check.
- Canadian sales continue to grow in volume and variety.

J. H. STONE, *Commercial Counsellor, Rome.*

BUSINESS has been good in Italy in recent years—perhaps too good for the continuing prosperity of the country. The heavy capital investment and steadily rising consumer incomes of the past few years have resulted in a demand for goods and services substantially greater than productive capacity. Despite a high rate of industrial growth, the trade balance has moved heavily against Italy. Loans have been necessary because of the resulting foreign exchange problems and a rapid rate of inflation has threatened the stability of the economy. Government measures to arrest rising costs and prices are starting to take effect and may go a long way to restore business confidence, slightly shaken by the political uncertainties of the past 18 months.

Canadian exports have benefitted from the boom in imports and have increased in range as well as in

value, despite growing tariff disadvantages under Italy's integration into the Common Market. The Italian Government is working out a plan for a more balanced development of industry and agriculture. It aims at channelling investment toward the essential needs of the economy, reducing Italy's growing dependence on imported goods, and improving the competitive position of its exports.

Consumer Purchases Rising

The prosperity which Italy has enjoyed for the past decade has altered the balance between consumption and investment by creating a change in income patterns. In 1963, for example, the gross national product increased over 13 per cent, but salaries and wages jumped nearly 22 per cent. This compares with just over 1 per cent for other production factors, giving

employees a 62 per cent share of total income compared with 55 per cent in 1960. This recent trend results from rapidly rising wages and salaries as well as lower unemployment (currently running at about 2.5 per cent of the labour force). It also reflects the higher earnings of an increasingly skilled labour force, moving from farm and workshop to factory and office.

However socially desirable this trend may be, it is raising problems for the business community in financing new investment and expansion. Booming consumer expenditures have also created demand levels which cannot be satisfied by local resources plus normal imports. Italy is also engaged in a vast program of development and land reclamation in the south, in Sardinia and Sicily, and in other less-developed areas. The necessary labour and capital from government, industry and agriculture needed to carry on this program are difficult to find now that the consumer is bidding more vigorously each year for available resources. The resulting pressures are driving up prices and raising imports to unprecedented highs.

Industry has responded to rising demand, increasing output almost 9 per cent during 1963. This was nevertheless a slightly lower growth rate than in the previous year, and less again than 1961, when the industrial index jumped a record 11 per cent. Last year's growth was uneven, with the greatest gains in the rubber, automotive, textile fibres and especially the foodstuffs industries. Metal products made better progress than in 1962 but chemicals and paper gained less; the processors of non-metallic minerals, mining, and the wood-using industries (except furniture) all slowed down from the previous year.

An impressive near-25 per cent of available money was invested in 1963, although this was slightly less than in the previous year. From 1958 to 1962 investment expenditures rose faster than consumption. Last year saw a change in this pattern, partly because of higher consumer demand but also as a result of a lower level of profits and savings and of curbs on medium- and long-term credit. Nevertheless, expenditures on total fixed investment increased by nearly 12 per cent over 1962. Industrial investment did even better with a 13.3 per cent gain, only slightly less than that recorded between 1961 and 1962.

Foreign Trade Deficit Grows

The Italian consumer's desire for a better standard of living coupled with the high level of investment has placed a growing strain on the balance of payments. Import values jumped in 1963 to Lire 4,700 billion, an alarming 24 per cent over the previous year; exports registered a modest 8 per cent increase in value to Lire 3,150 billion. The result was a trade deficit nearly 80 per cent higher than in 1962. Trade with the other members of the Common Market expanded faster than with the world as a whole, with Italy in a deficit position with each.

Trade with Canada

Imports from Canada continued to expand, reaching a record Lire

52,792 million for the year (\$95 million approximately), according to Italian statistics which register c.i.f. values. Italian exports to Canada amounted to Lire 30,505 million, or about Can.\$55 million f.o.b.* The composition of our trade is changing gradually and the market grows less dependent each year on large sales of a few basic commodities. Last year, despite significant decreases in exports of traditional items such as wheat, oilseeds, pulpwood and some metals, there were enough new exports—and larger sales of more highly manufactured goods—to more than offset these losses. Canada's exports to Italy moved up by over \$2 million to a new record. Italy is now our third largest European market, following Germany and the Netherlands. Italian exports to Canada continue to gain ground.

Financial Controls and Planning

The dangerous consequences of Italy's inflation have been recognized publicly for the past 18 months. The Government elected last November has moved to restrain public and consumer expenditures and to limit liquidity in the financial field. An attempt is also being made to revitalize the ailing stock market which reached a five-year low in May 1964.

Italy's external trade and financial problems have received much attention from the Government and a variety of measures were taken in the first months of 1964 to support the lira and to bring imports and exports into better balance. In March the Bank of Italy borrowed \$1 billion from the United States and other central banks in Europe, the IMF extended drawing rights of \$225 million, and credits were granted by the World Bank to the Italian Southland Development Fund.

In April an export trade drive was announced, coinciding with a reduction in the premiums on export credit insurance, a speeding up of

the repayment of turnover tax on exported goods, easier credit, and other facilities for exporters. At the same time Italian firms were told that they must pay more promptly for imported consumer durables. It is too early for any estimate of the effect of these measures, although there are indications that the deterioration is easing.

Long-Term Planning

The Italian Cabinet has devoted many sessions during the past six months to a national revolving five year plan, which is to encourage the development of industry and agriculture along lines within the capacity of Italian resources and which will best meet its needs. National planning is not new to Italy: the activities of the different development funds, and of the Institute for the Reconstruction of Industry (IRI), the National Hydrocarbons Agency (ENI), and the National Agency for Electric Energy (ENEL) have been steered towards the rational development of the country in general and particularly that of the less developed areas. With the combined demands of investment and consumption now exceeding the means of the economy, national planning has come to be considered urgent.

Although the Italian boom has lost some of its momentum in the past two years, the growth of industry and its modernization continue at a rapid rate by international standards. There are signs that the worst of the inflation has passed and that a better balance between production and consumption will be achieved. The Government has declared that it will maintain an open economy, and that there will be no return to the stringent import controls of a few years ago. Continuing government guidance should gradually restore economic equilibrium and Italy should continue to be a good market for a growing number of Canadian goods. ●

*DBS figures are \$76.8 million for imports; \$54 million for exports.

On July 11, Foreign Trade will devote a complete issue to the Italian market.

In Milan—Canadian furs for every occasion, from a soiree to a skiing holiday, were displayed at the Milan International Samples Fair in Italy last April. Over 200,000 people saw these examples of the furrier's art, made up in mink, otter, beaver, ermine and other types of pelts.



In Utrecht—"From Canada for the Modern House" was the theme of the Canadian exhibit at the Utrecht Spring Fair in March. Ten Canadian firms participated and products shown ranged from natural gas heating equipment and a dishwasher to lamps and handicrafts.

In Cologne—Ten individual firms exhibited their products in the Canadian section of the International Household Goods and Hardware Fair at Cologne in February 1964. Some 250 serious inquiries were received from buyers like these in the photograph. The fair attracted businessmen from 55 countries.



The Netherlands

- Rise in wages, prices made steps to control inflation necessary.
- Natural gas discoveries have become major factor in expansion.
- Canadian sales up 30 per cent last year; outlook is promising.

D. A. BRUCE MARSHALL, *Commercial Counsellor, The Hague.*

THE NETHERLANDS, which is only about the size of New Brunswick but has a population of 930 persons per square mile, has for years been admired because of the initiative and technical enterprise of its people. In recent years it has also become a symbol of recovery, progress and prosperity. It depends more on international trade than any other country and its exports and imports combined amount to approximately 75 per cent of its GNP.

In the last decade, thanks to a careful policy, a balance has been maintained between controls and economic expansion, with wages at a level which put the Dutch in a favourable competitive trade position. In the last three years, however, pressures have developed that led to a wage explosion at the beginning of 1964. With the economic expansion and the many demands, particularly in the building industry, labour became scarce. In September 1963 unemployment stood at 18,500 and unfilled vacancies at 90,100. Maximum wage agreements were evaded by the payment of what became known as "black wages", and pressures were such that the employers' federations and the trade unions agreed to a 10 per cent increase, double the previous annual average, to take effect on January 1, 1964. This has led to an over-all increase closer to 16 per cent and will undoubtedly reduce somewhat the relative advantage of the Netherlands over its main trading partners.

Restraining Inflation

An inevitable rise in prices accompanied the wage increase. The

Central Planning Bureau estimates that prices of consumer goods will go up 7 per cent and capital goods by 4 per cent; total consumption will increase by 8 per cent and the GNP by 5 per cent. This has resulted in the Government's stepping in to restrain inflationary tendencies. In consultation with the Foundation of Labour, it announced at the end of January the suspension of accelerated depreciation over all property, plant and equipment acquired and improved, ordered or put up for contract after January 1. In conjunction with a suspension of investment allowances on building properties, this is designed as a short-range measure for easing economic tensions. The existing curb on expenditure by government and local authorities has been extended to October 1964, and instalment buying restricted by raising the down payment by about 5 per cent. The extension of personal loans has been curtailed.

Although the wage increases may distort the Dutch economic balance, the outlook for 1964 is for continued prosperity and the boom of recent years is expected to continue for some time.

Natural Gas Vital Factor

One of the major factors in maintaining prosperity will be the tremendous reserves of natural gas discovered only recently. Long known as a country with no resources except people and ingenuity, the Netherlands now has a source of energy rivalled only by the gas fields of Texas, with proven reserves of upwards of 1,100,000 million cubic metres. Exploration is by no

means finished and even in January a further estimated 90,000 million cubic metres were discovered. Plans for distribution and use have been developed rapidly and by the end of 1965 a pipeline network should be completed to carry this gas not only throughout the Netherlands but also into Germany and Belgium.

Gas fever has indeed struck the Dutch. Every day the newspapers carry some reference either to further exploration or to the use of this national resource. At the ten-day Netherlands Industries Fair at Utrecht a special section was set aside for appliances using natural gas, and the Canadian Government had an exhibit that included gas central heating. (Altogether twenty Canadian firms participated in the Fair either directly or through Dutch agents.) This relatively cheap new source of energy will contribute in no small way to the expansion of the Dutch economy. Plans for an aluminum smelter using energy from the gas and expansion of chemical and fertilizer plants are under way. The influence of "aardgas" will be felt not only among Dutch manufacturers but it will help maintain and increase purchasing power throughout the country.

Construction Projects

One of the major problems in this country, the housing shortage, can also be regarded as strengthening the economy because it contributes to full employment. There is an estimated shortage of 215,000 housing units and 320,000 existing ones cannot be economically improved and must be replaced within a reasonable time. If the housing famine is to be controlled, new construction must reach a minimum of 70,000 units a year and there must be 15,000 replacements. The Government has set a target of 90,000 units for 1964, and a good beginning was made in the first quarter of 1964 when 18,100 houses were completed compared with 6,727 in the first three months of 1963. Even so, it will take time to wear down the backlog of 215,000 units. The figure

TABLE I
CANADA-NETHERLANDS TRADE

	1959	1960	1961	1962	1963
	(millions of guilders)				
Total Netherlands exports to Canada*	107.2	114.3	113	117.2	111.4
Total Canadian exports to the Netherlands*	127	139.3	102.3	126	169.3
Total Canadian exports to the Netherlands†	53.8	62.6	61.3	76.9	87.1

*According to Netherlands statistics.

†According to Canadian statistics.

(The discrepancy in figures is due to transit trade through Dutch ports.)

Estimated average exchange rate for 1959 and 1960: Can.\$1.00=3.85 guilders

Estimated average exchange rate for 1961: Can.\$1.00=3.55 guilders

Estimated average exchange rate for 1962: Can.\$1.00=3.35 guilders

Estimated average exchange rate for 1963: Can.\$1.00=3.33 guilders

TABLE II
WHAT WE SELL TO THE NETHERLANDS

Leading items	1962 1963	
	(millions of guilders)	
Electrical machinery and apparatus	19	27.8
Coarse grains (no wheat)	7.7	25.6
Wheat	19.6	20.7
Lumber	11.6	11.7
Chemicals and pharmaceuticals	4.3	9.8
Aircraft and parts	6.9	6.4
Mineral products	4.9	5.5
Natural and synthetic rubber	4.5	4.8
Wood pulp	2.9	4.2
Paper and cartons	1.6	4.1
Aluminum products	2.2	3.4
Fish	2.6	3.6
Oilseeds	12.1	2.6
Iron ore	3.6	1.8
Office machines	1.8	1.6
Non-ferrous ores	2.1	1.3
Hides and skins	1.1	1.2
Tobacco	.7	1.0
Miscellaneous	16.8	32.2

Source: Central Bureau of Statistics, The Hague.

TABLE III
WHAT THE DUTCH SELL US

Leading items	1962 1963	
	(millions of guilders)	
Electrical machinery	17.2	19.3
Plants, flower bulbs, nursery stock	11.1	9.7
Other machinery and power implements	10.2	9.7
Textile products	12.6	8.7
Sugar, confectionery, cocoa and cocoa products	6.4	7.0
Foodstuffs n.o.p. (excluding cheese)	8.4	6.6
Chemicals and pharmaceuticals	5.7	5.8
Tobacco products	3.8	5.0
Musical instruments, record players, and gramophone records	5.7	4.9
Cheese	2.8	2.9
Agricultural machinery and implements	1.9	2.8
Vessels	5.1	2.5
Miscellaneous	26.3	26.5

Source: Central Bureau of Statistics, The Hague.

of 15,000 replacements will rise in years to come if urban renewal projects are undertaken.

There are other projects which also tend to ensure continued stability. The huge Delta Works scheme, which will regulate the flow of the sea into the maze of rivers in South Holland, is typical of the undertakings that contribute to progress. The polder programs continue in the former Zuiderzee and additional tunnels are being driven under the Maas at Rotterdam and the North Sea Canal near Amsterdam. The visionary plans for one of the

world's greatest future ports are well on the way to becoming a reality at the gigantic Europort project under construction between Rotterdam and the North Sea. There the largest crude oil storage tanks in the world are being built. In 1963 Rotterdam became the world's greatest seaport, exceeding all others both in ships and tonnage.

Good Trading Year

In foreign trade, 1963 was a good year for the Netherlands. Exports rose by 8 per cent and imports by 12 per cent; the surplus of im-

ports over exports thus increased by 3 per cent. This was more than offset by payments for services and the net favourable balance, (including services, official grants and movement of public and private capital) remained approximately the same as in the previous year.

It is expected that the Dutch balance of payments, which showed a surplus of 500 million guilders in 1963, will be in deficit by 1,000 million guilders in 1964. This will be counterbalanced by the gold and foreign exchange reserves, which stood at over 6,500 million guilders at the end of February. The recent natural gas discoveries will play a substantial part in future in the Netherlands balance of payments, because exports to Belgium and Germany are planned in the near future.

Our Exporters Doing Well

Canada had an above-average share in the increase in Netherlands trade last year. Our exports went up by over 30 per cent, but our imports from the Netherlands fell by about 4 per cent in value. These figures apply only to trade with the Netherlands and do not take into account transshipments through the ports of Rotterdam and Amsterdam. The increase in our sales resulted largely from heavy shipments of coarse grains early in the year although exports of most commodities rose by varying amounts. Of particular interest was the doubling of sales of chemicals and pharmaceuticals from 4.3 million guilders to 9.8 million; wood pulp went up from 2.9 to 4.2 million. Shipments of aluminum products rose from 2.2 to 3.4 million guilders and fish from 1 million guilders to 3.6 million.

The Dutch are one of the great trading nations of the world and the Dutch economy is reputed to be the most "open" in Europe. Certainly the possibilities for Canadian exports are good. Although our products may be at a tariff disadvantage compared with those originating in EEC member countries, in many instances this is more than offset by

offering quality and prompt delivery. In fact, in almost every line rising prices within the Netherlands are narrowing the price differential between Canadian and EEC products. Price is a determining factor but is not necessarily the most important;

Dutch importers consider design, quality and immediate availability vital.

The twelve million Dutch are able to satisfy freely their demands for the world's goods. With the economic expansion under control

and measures taken against the threatened inflation, the Netherlands offers Canadian manufacturers an attractive and growing market. Imports are expected to rise 12 per cent this year—and Canadians could share in this increase. ●

Norway

- GNP up last year, capital investment high, inflation a threat.
- Trade with EFTA countries in deficit; sales to EEC up.
- Sales campaigns needed to push capital and consumer goods.

J. E. LANCASTER, *Commercial Secretary, Oslo.*

NORWAY is enjoying prosperous times, sharing in the wellbeing of Continental Europe, Britain and the United States, the major markets for its exports and key suppliers of its imports. Supported by strong internal demand, industrial production advanced 5 to 6 per cent last year. Exports are experiencing a welcome surge, supported by buoyant demand in Norway's principal markets. With a high rate of domestic savings coupled with substantial borrowing in the foreign market, capital investment continues to be large. Unemployment, an indication of the economy's health, is minimal. Foreign exchange holdings totalled 3,430 million kroner at the end of January, down slightly from the year-end, but a substantial increase over the previous year.

Yet Norway is facing challenging problems. Norwegian officials are concerned about the nagging balance-of-payments deficit which cannot be conjured away. Thoughtful circles are recognizing the fact that with a deficit at a time when the terms of trade are relatively favourable to Norway, structural changes may be forced on the economy to correct the constant imbalance. Formation of the EFTA and the EEC, the two groupings embracing

the major trading nations of Western Europe, has raised problems, because Norway has not benefitted to the extent originally promised in spite of its EFTA membership. Inflation is appearing in a more pronounced form and the country will probably have to face difficult economic circumstances in the years immediately ahead.

Industry, Agriculture, Fisheries

Norway's gross national product (GNP) measured at constant prices advanced a notable 5 per cent in 1963, compared with 3.4 per cent during the previous year. Capital investment continues at a rate of over 30 per cent of the GNP (average for 1955-60, 35.5 per cent), the highest rate of any of the OECD countries, including Canada. The impressive investment rate is supported by capital borrowings from abroad and the high rate of savings (particularly in the public sector), steeply progressive taxation, and credit restrictions in the private sector serve to direct funds to official channels. Studies reveal, however, that the rate of return on capital investment is lower in Norway than in the larger industrial countries.

Economic growth during 1963, carrying on into the present year,

has been sparked by an impressive advance in secondary industry; the industrial index reached 153 at year-end from 145 the year before (1955 equals 100). Agricultural output in 1963 was slightly below average. However, approximately one third of farm income is derived from government subsidies and the domestic agricultural market is protected against foreign competition.

In fisheries, the Lofoten cod season was disappointing but the winter herring catch was better than in recent years. Like agriculture, Norway's fisheries are partially sustained by government subsidies, needed to maintain earnings because markets for frozen fish are being lost in Continental Europe as a result of the activities of the trawler fleets of the major European industrial nations. In addition, Norwegian fisheries still consist chiefly of the relatively inefficient inshore fisheries which use handlines and nets, methods that are being challenged by the deep sea trawler fleets. At the recent London Fisheries Conference, Norway was one of the countries which refused to assent to the Fisheries Convention on the grounds that its inshore fisheries must be protected through limiting the depletion of fish stocks and pre-

What to Sell in Scandinavia

Denmark	Norway	Sweden
Crabmeat (canned)	Lobster (fresh and canned)	Prepared foods
Lobster (fresh and canned)	Salmon (fresh frozen)	Sports clothing
Skim milk powder	Specialty food products	Dresses
Feed grains	Tabacco	New fabrics
Specialty food preparations	Grass seeds	Laundry and dry cleaning equipment
Grass seed	Dried peas	Service industry equipment
Douglas fir plywood	Douglas fir plywood	Automatic vending equipment
Clothing	Pulpwood	Automobiles, auto accessories, garage supplies
Specialty footwear	Fabrics	Boats, boating supplies
Chemicals	Chemicals	Do-it-yourself kits
Non-ferrous metal shapes	Stainless steel	Sports and recreation equipment
	Automobile parts and accessories	Electric blankets and heating pads

venting the destruction of the in-shore fishermen's nets by cruising trawler fleets.

The forest-based industries maintained their important place in the economy with pulp and paper exports looming large. However, these industries are somewhat over-expanded in relation to resources because economically exploitable forests cover only some 27,000 square miles. The building industry continues to be affected by the restrictions on private credit and building, although the channelling of funds to the public sector has led to an expansion in institutional and highway construction. Retail trade is prospering, with a good turnover.

Inflation Becomes Threat

The major problem confronting the domestic economy is inflationary pressures linked to current wage demands. At the time of writing (April 1964) a general strike embracing 140,000 workers was narrowly

averted by government action which imposed compulsory arbitration. Eventually 600,000 industrial workers and salaried employees will become involved in the negotiations. The incomes of 200,000 farmers and 60,000 fishermen, though not directly affected by the current wage discussions, are guaranteed by the Government through price supports and subsidies. Social benefits are usually tied to wage adjustments and thus a rise in wages would also mean increased costs for social benefits. The result of the wage arbitration is therefore awaited with anxiety in government and business circles because Norway's currently buoyant export trade might be adversely affected by increased costs of production. Following the trend of recent years, the Government's budget is expansionist. Revenues are not keeping pace with expenditures and there is thus no fiscal surplus to counteract inflation. The credit

restrictions in the private sector are the sole restrictive measures.

The more severe inflationary pressure is the major domestic problem; the continuing deficit in the current balance of international payments is the chief external one. Norway's deficit in visible trade in 1963 continued the trend of recent years, with imports amounting to Kr.13,007 million and exports to Kr.7,665 million.

Earnings from the vital merchant marine, however, remain a favourable offsetting factor; they contributed a record Kr.2,500 million net to the economy, or Kr.275 million above the return for 1962. The outlook for shipping rates, though reasonably favourable, is for a general levelling-off in charter rates. The tourist trade, which has developed into a major two-season industry, now contributes 5 per cent of all foreign exchange earnings—or an estimated Kr.650 to 700 million for 1963. Other invisible earnings are tending to match equivalent international expenditures. The over-all deficit in the balance of payments abroad in 1963 is estimated at Kr.1,440 million, or Kr.190 million more than in 1962.

To maintain and expand the capital investment program and meet the balance-of-payments deficit, Norway is relying to a considerable extent on foreign borrowings. Circumstances suggest that the investment of foreign funds in capital development projects is not generating enough new exports to pay off the capital and carrying costs. The foreign drawings seem to be used to some extent to finance more consumer goods. This problem may become aggravated with the developing and maturing of the two European economic groupings, EFTA and EEC.

EEC and EFTA Markets

Because Norway depends on international trade for some 40 per cent of its GNP (a substantially larger proportion than Canada), the economy is highly sensitive to economic changes in Western Europe,

with which it conducts 75 per cent of its trade. Although it is a charter member of EFTA, Norway applied to join the EEC but later withdrew its application following Britain's rejection. Membership in EFTA with the consequent cutting of internal customs tariffs among member states raises some problems for Norway, which is finding that its EFTA partners now constitute its major source of supply and at the same time are providing the largest outlet for its exports. Nevertheless, exports to the EFTA have not increased enough to match the expansion of imports and a sizable and increasing deficit with EFTA has resulted. The relative stagnation in Britain, a major EFTA market, was probably the prime reason for this.

The expansion of EEC markets, on the other hand, has enabled Norway to increase its sales among the Six in spite of tariff discrimination arising from inter-member EEC tariff reductions. Nevertheless a number of important Norwegian exports are feeling the bite of the tariff discrimination and the situation will probably become acute as time goes on, except for certain Norwegian specialty exports. Norway is thus putting much stress on a favourable outcome for the Kennedy Round of tariff and trade negotiations and hopes for freer entry for major Norwegian exports, particularly into EEC markets.

Trade with Canada

Norway's purchases of Canadian goods and its sales to Canada both increased in 1963. A large proportion of Canadian sales, however, consisted of ores for refining, industrial raw materials required by Norwegian industry which enter free of duty, wheat and other grains, and feedstuffs. Shipments of Canadian consumer goods cover a wide range and some capital equipment is sold in modest quantities. Where Norwegian customs duties apply, Canadian exporters face increased tariff discrimination with EFTA tariff cuts among member states. Norwegian

duties are levied on the c.i.f. value and thus in effect discriminate in favor of nearby European suppliers. Quantitative restrictions play a limited rôle except in the agricultural sector and for certain processed foodstuffs.

To expand Canadian sales of consumer and capital goods will take salesmanship. The effort expended on the Norwegian market may be combined with selling to the 16 million Scandinavian market as a whole. Norwegians share with West Europeans a liking for certain North American stylings, although primarily their tastes are oriented to Europe. Canadian exporters should be prepared to mount forceful selling campaigns—forceful in the sense

of striving to introduce lines with the help of Norwegian agents rather than using the "hard sell" technique. This effort may pay unexpected dividends. Recently a Canadian business visitor with a line of sporting goods equipment arranged to spend a weekend in Oslo and from there proceed to the greener business fields of Sweden. On the Saturday morning he called on an Oslo retail establishment the name of which was supplied by the Embassy and the result was a spot sale of \$1,000 of his goods. Thus while tariffs and shipping costs are important in selling to Norway, in the final analysis the personal approach can work wonders, particularly in the fast-moving consumer goods field. ●

Portugal

- Heavy military expenditures holding back economic expansion.
- Agriculture to receive greater attention in new development plan.
- Bigger sales of salt cod pushed up Canadian exports last year.

PAUL A. THÉBERGE, *Assistant Commercial Secretary, Lisbon.*

MILITARY expenditures have proved to be a heavy burden for the Portuguese economy and have slowed down the rate of expansion. The latest Budget revealed that more than a third of revenue is devoted to meeting spending on the armed forces in the Overseas Provinces. Increased taxation has been imposed to cover the cost of maintaining a reported 50,000 troops overseas, including a purchase tax of from 5 to 15 per cent which affects internal demand for goods.

A growing trade deficit has aggravated the problem, though earnings from the tourist trade and remittances from emigrants help to compensate largely for losses on trade. Meanwhile industrial development is being hampered by lack of funds, by low domestic demand, and

by the absence of new markets abroad.

Although Portugal is at a relatively early stage of development compared with other West European countries, under the Second Development Plan introduced in 1959 the country has made progress. This plan finishes at the end of the year and a Three Year Plan is to be introduced shortly.

Agriculture to Receive Attention

This time, the main emphasis in planning will be on agriculture. An estimated 40 per cent of the population is engaged in agriculture but it accounts for only 25 per cent of the gross national product. An irrigation scheme is planned for the Alentejo, the region south of the Tagus, at a cost of an estimated

TABLE I
PORTUGAL'S FOREIGN TRADE*

Areas and Countries	1962			1963		
	Imports	Exports	Balance	Imports	Exports	Balance
	(Can.\$'000)					
Overseas Provinces	80,408	90,516	10,108	98,382	108,756	10,374
EEC	234,726	92,606	-142,120	246,506	98,876	-147,630
EFTA	148,542	81,092	-67,450	156,028	99,788	-56,240
United States	56,696	52,554	-4,142	63,498	52,896	-10,602
Canada	4,180	7,448	3,268	5,662	7,600	1,938
Others	116,242	76,722	-39,520	141,132	87,552	-53,580
Totals	640,794	400,938	-239,856	711,208	455,468	-255,740

*Portuguese statistics.

\$2.2 million, part of which will be financed by loans from West Germany. The scheme will extend over 14 years. Development of this area should provide opportunities for producers of agricultural and industrial equipment and the hope is that Canadian firms will be able to obtain some of the business.

Rising output in the new steel-works and in automobile assembly plants helped to raise industrial production figures last year. The Government has recently authorized the building of a new oil refinery and a petrochemical complex in northern Portugal. Despite the stimulus of this and other recent developments, the rate of industrial growth is not expected to rise because of the slow growth of domestic demand and of export trade. And in certain instances low labour costs are offset by the number of firms with low productivity.

The Trade Picture

A look at Table I shows that Portugal's trade deficit rose sharply last year—from \$240 million in 1962 to \$256 million in 1963, largely because of increased imports from its Overseas Provinces and the EEC countries. Exports from Portugal last year totalled \$455 million and imports \$711 million. It is interesting to note that although Portugal is a member of EFTA, its trade with the EEC countries is much greater. With the gradual decrease in internal tariffs among the EFTA countries, however, trade

with them will increase, mainly at the expense of the EEC.

As mentioned before, the trade deficit is offset by other earnings and receipts. The gold and foreign exchange reserves are rising and are said to be more than sufficient to cover a normal year's imports.

Trading with Canada

Canada's trade with Portugal is still relatively small, although our sales showed an encouraging rise last year—from \$2.56 million in 1962 to \$5.9 million in 1963, largely because of bigger sales of salt cod. The rising cost of meat, the higher prices sought by other cod suppliers, and the marked consumer preference for Canadian cod worked in our favour. About two years ago, a swine pest broke out in the Peninsula and although it is now under control, it wiped out a large part of the hog population. The disastrous effects of this epidemic will probably be felt for some time to come, though fortunately

TABLE II
CANADA'S EXPORTS TO METROPOLITAN PORTUGAL*

	1962		1963	
	(Can. dollars)			
Salt cod	39,641	1,721,715		
Wheat flour	140,321	201,769		
Potatoes	.....	542,021		
Tobacco	133,512	76,267		
Flaxseed	460,000	379,205		
Copper in ores concen- trate	208,347	400,498		
Asbestos	130,057	43,485		
Yarn and thread synthetic fibre	34,795	208,324		
Tallow inedible	.....	40,382		
Synthetic resins	31,466	118,023		
Plastics and synthetic rubber	230,944	163,802		
Sheet and strip steel	19,794	109,682		
Aluminum	309,297	217,002		
Copper refinery shapes	251,501	600,280		
Aircraft engines and parts	147,847	409,627		
Other	425,176	627,270		
Total exports	2,562,698	5,859,352		

*Canadian figures.

Portuguese scientists have developed a vaccine which will probably prevent another large-scale outbreak.

The market for cod in Portugal is almost insatiable and when it is well prepared (and the Portuguese are masters at this) it is by no means merely a substitute for more sophisticated foods. The demand for salt cod increased last year and supplies were inadequate; this shortage provoked considerable criticism in the newspapers.

Retail prices of cod are controlled and foreign cod is subsidized to meet the price level—provided that it is imported by the Wholesale Grocers' Guild. Recent legislation provides that salted dried cod or wet

TABLE III
PORTUGUESE IMPORTS OF COD (WET AND DRY)

From	1962		1963	
	Metric Tons	Can.\$	Metric Tons	Can.\$
Norway	3,897	2,014,532	5,147	3,207,200
France	8,165	1,835,172	.....	.....
Iceland	4,207	1,382,092	4,259	1,520,038
West Germany	3,753	979,146	4,596	1,231,086
Spain	3,011	959,196	.....	.....
Britain	565	277,666	589	273,942
Canada	112	60,458	4,117	1,575,404
Others	.....	.....	25	17,442
Total		7,508,262		7,825,112

salted cod may be imported by this guild or by any individual wholesaler or group of wholesalers. Cod imported individually is not subject to distribution by the authorities and can be sold freely. However, the price at which it is sold to the public and the retailer's margin of profit must be maintained. Table III shows how Canada's share of the market for cod increased last year and sales should be as good this year or even better, provided that prices are competitive.

Among the other Canadian products selling well in Portugal last year

were table potatoes, but these sales were exceptional and resulted from a crop failure. Normally the country produces all the table potatoes it needs and buys certified seed potatoes from British and Continental suppliers. Sales of copper doubled over 1962 and the outlook is good because as more industries are set up, users of copper increase. The rapid rise in imports of Canadian synthetic yarn and thread should continue because manmade fibres are becoming popular with Portuguese consumers.

In spite of many difficulties, particularly the adverse conditions in the Overseas Provinces, some economic expansion may continue in Portugal and the encouraging rise in our sales last year may be maintained. The balance-of-payments deficit may hamper progress unless the tourist trade expands and exports rise substantially to provide needed foreign exchange. Large-scale investment will certainly be essential for many years if Portugal is to achieve a standard of living comparable with that in other countries in Western Europe. ●

Spain

- Booming tourist trade compensates for large trade deficit.
- Currency Development Plan stresses incentives for new industry.
- Canadians sold \$20.5 million worth of products last year.

R. M. DAWSON, *Commercial Secretary, Madrid.*

SPAIN recently completed a second year of economic expansion and the trend now suggests that the growth is permanent and is founded on changes in the country's basic structure during the past four years.

The most recent OECD report on Spain discusses the reasons for this rapid growth and at the same time points out some serious obstacles to continued expansion. Increased wages and employment are generating demand which is spreading throughout most sectors of the economy. Conditions favourable to economic development are now combined—more trained management and skilled labour, exploitation of a wide range of natural resources, and a developed industrial base. Constructive government policies have also led to greater private savings, large foreign exchange reserves, and sound public financing. The major problem continues to be the fractional nature of industry.

This problem will have to be remedied before Spanish industrialists can compete in and develop export markets to counterbalance the greater demand for imported goods.

Some important measures of growth during 1963 were:

National income—up 6.8 per cent at constant prices (10.8 per cent at current prices)

Per capita income—up 5.9 per cent at constant prices.

Power output—rose by 12.4 per cent to 25.75 billion kwh.

Crude oil imports—up one million tons to over eight million.

Agricultural products—up 12 per cent.

Imports kept rising in 1963 at a fast rate: according to preliminary balance-of-payments statistics, at U.S.\$1,791.1 million they increased by 24.1 per cent. Because of frost damage to the crop, citrus shipments abroad fell to U.S.\$785.9 million from \$800.3 million in 1962, and contributing to an adverse balance of trade of U.S.\$1,005.2 million. In

spite of this, revenues from tourism, emigrants' remittances and foreign investment left Spain with a balance-of-payments surplus of U.S.\$90.8 million. The foreign exchange reserves totalled over \$1.1 billion at the end of 1963.

The most striking aspect of Spain's balance of payments, aside from the big rise in imports, has been the astounding growth of the tourist industry. Nearly 11 million tourists visited Spain in 1963 and 13 million are expected this year. The 1963 increase was 26.3 per cent and the revenue rose to U.S.\$679.3 million, up 32.5 per cent. The Government is making every effort to assist in the growth of this important industry, without which there would be a serious foreign exchange problem. The construction industry continues to flourish, particularly on the Mediterranean coast, although there are reports that in some areas, like the popular Costa del Sol in southern Spain, there is over-building. But this is unusual. Ask anyone who tries to book a hotel room in Madrid, where reservations three months in advance are now the rule!

Remittances of Spaniards living abroad have also helped maintain

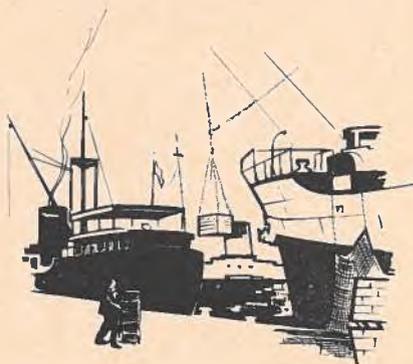
a balance-of-payments surplus. Approximately 400,000 workers, most of them in EEC countries, sent home U.S.\$200.8 million in 1963, a slight increase over the previous year. Now, however, the Spanish Government is attempting to discourage workers from going abroad. Industrial expansion is using up the reserves of trained manpower even though there is substantial under-employment in Spain. A determined effort is currently being made to increase technical training facilities but the time is not too far off when Spain will need those workers now living abroad and as the standard of living improves, many are expected to return home. However, the disparity in income between Spain and the rest of Europe is still great and the problem of maintaining a suitable pool of trained manpower will become more acute before the situation improves. The Spanish "sindicatos" (labour unions), in an effort to head off the problem, have recently announced a program to provide industry with 800,000 newly trained skilled workers as its contribution to the National Development Plan.

Effects of Development Plan

Economic growth is expected to quicken with the gradual implementation of the Development Plan, begun in January, which will run until the end of 1967. Recommendations from a recent World Bank survey have been incorporated into this ambitious plan, which envisages public investment of U.S.\$5.5 billion. A 6 per cent annual increase in the GNP is expected (in 1963 it stood at U.S.\$13.8 billion) and this, among other things, is expected to create nearly a million new jobs. Although the Plan does not include a private investment program, incentives for new investment are discussed and government sources estimate that during the four years it will reach U.S.\$9.5 billion, bringing total planned investment to U.S.\$15 billion.

During the past six months, discussion of the Development Plan

has kept it on the front pages of the newspapers. Other European countries have shown considerable interest in the opportunities it presents for investment and in the demand for capital equipment and machinery that it will generate. France has taken the lead by extending U.S.\$150 million in low-interest credits to cover specific projects. French success with government economic planning has influenced Spanish officials to the extent that a number of technical agreements have reportedly been signed since announcement of the loan six months ago. Other European countries have been exchanging economic missions with Spain to discover what form their participation could take, but no other official loans have been forthcoming to date.



Although many Plan projects will be financed internally, foreign aid will be needed to achieve many of its targets. The World Bank has announced a U.S.\$33 million loan to Spain of which U.S.\$26.1 million is for highway construction and U.S.\$6.9 million to purchase road maintenance machinery. The highway network, although extensive, cannot cope with the annual 17 per cent increase in road traffic nor with the millions of tourists who come each year by car. The World Bank has been negotiating with the National Railway (RENFE) for a U.S.\$60 million modernization loan. The U.S. Export-Import Bank has also made several loans to cover purchase of equipment for power sta-

tions and expansion of a major steel company.

Guidelines for Industry

One feature of the Development Plan that is arousing considerable interest both in Spain and abroad is the industrial estate and growth center. Financial incentives are extended to new industry if it locates in seven under-developed areas. Prominent among these incentives are:

- Preference in securing official credit.
- Right to amortize within first five years.
- Subsidy of 10 per cent on all capital investment made during each financial year.
- A 95 per cent rebate on taxes and duties concerned with import of equipment, purchase of land, municipal taxes, excise duties, etc.
- Purchase of land at reasonable prices.

From time to time concrete proposals will be sought from prospective investors. The first calls for submissions, which closed on April 15, showed encouraging results. Applications were received from 681 firms, involving a possible investment of U.S.\$791 million. If only a modest percentage of the proposals materialize, the results will be stimulating to the Spanish economy. If this policy of encouraging new industry to settle in under-developed areas succeeds, it will remove the great discrepancies between the have and have-not provinces.

There are several noteworthy pieces of legislation in addition to the Development Plan. The Anti-Restrictive Trade Practices Law forbids abuses in price fixing, deliberately regulating production, sharing markets, and applying discriminatory conditions to third parties. The Minister of Commerce considers the legislation extremely important. Spanish industry, he feels, requires proper guidelines if it is to compete effectively and after an extended period of isolation these

guidelines should be spelled out in detail, he believes.

A new tax law is intended to simplify the tax structure, eliminate many minor assessments, and distribute the tax burden more equitably. Refunds are expected to stimulate exports and attract foreign capital by reducing taxes applying to loans and technical aid from abroad.

In an effort to provide more flexibility in the banking structure, the Government has passed legislation for the establishment of commercial banks. The setting up of new banking institutions has been prohibited for many years and as a result a handful of large banks gradually turned into investment banks, controlling large segments of Spanish industry. Many moderate-sized industrial companies were denied access to loans principally designed for capital expansion. There are strict regulations to prevent any established private bank from controlling a new commercial bank and conversely, the newly established commercial banks will be restricted in building up investment portfolios.

Certain foreign companies have set up industries in Spain; the most well-known is Chrysler's decision to manufacture the Dodge Dart automobile in Spain. An investment of U.S.\$16½ million will provide Chrysler with a 35 per cent capital share in the new company in partnership with Barreiros, a Spanish truck manufacturer. This will be the first U.S.-type automobile built in Spain.

The chemical industry continues to attract investment. The production index advanced 11.4 per cent in 1963 and liberalized imports went up by 16.3 per cent. Fertilizer production is given priority in the Development Plan, with output expected to increase at an annual rate of 11 per cent to a value of U.S.\$1.47 billion by 1967. A new oil refinery went on stream in April, a second is under construction, and the Government is currently reviewing applications for two other refineries projects. Many new chemical plants, such as a 208,000 metric ton naptha-cracking unit to cost

TABLE I
CANADIAN EXPORTS TO SPAIN

Product	1961	1962	1963
	(thousands of Can.\$)		
Baby chicks	6.6	26.9	73.7
Cod—light salt	488.6	562.0	1,040.1
Salmon—pink—canned	1.9	10.8	27.5
Milk powder skim milk	.....	37.8	342.0
Sausage casings, natural and synthetic	28.2	48.9	80.5
Whisky	29.2	62.7	76.7
Cattle hides raw	142.5	116.9	133.8
Flaxseed	1,815.0	590.3	716.9
Pulpwood balsam fir and spruce peeled	280.1	555.9	507.6
Copper in ores, concentrates, matte	1,315.0	1,080.9	.....
Copper scrap	476.2	1,086.7	962.7
Asbestos fibres	2,216.7	2,055.2	3,583.8
Textile rags	26.6	125.4	175.2
Lumber—all types	2.1	312.6	813.7
Wood pulp—all types	29.9	102.8	285.1
Newsprint paper	.....	.....	207.8
Plastics and synthetic rubber	906.5	626.6	647.4
Aluminum pigs, ingots, slabs	1,844.3	4,437.3	5,255.6
Aluminum bars, rods, plates	198.2	726.9	860.9
Nickel anodes, cathodes, ingots	83.8	360.1	474.3
Tractors and parts	93.8	79.0	9.3
Other products	2,819.4	2,410.7	4,224.9
Total	12,802.5	15,416.3	20,499.8

Source: Dominion Bureau of Statistics.

U.S.\$33 million, are several years from completion, but the Administration hopes that the industry will shortly become reasonably well integrated and that increased exports will help counteract the trend towards greater imports.

Aiding Agriculture

The much-talked-about "economic miracle" of Spain has so far been mainly concerned with industrial development. To date very little has been done for agriculture, which accounts for 30 per cent of national production. Only irrigation and reforestation projects have made much impact. It is essential that larger agricultural exports play a major rôle in offsetting the serious foreign trade imbalance. The most promising opportunities for expanding exports are in processed foods, a field where so far little has been accomplished. There is a pressing need to group farms into economic units and to use idle land. Much of the difficulty stems from Spain's extreme climate, which often brings either floods or droughts. The Development Plan should remedy many of the problems by improving tech-

nology, stabilizing prices and providing orderly marketing, although much of the land is only suitable for marginal farming.

The 1963-64 crop year was satisfactory with a bumper wheat crop, and good fruit and vegetable production. Olive oil production and feed grain output were also favourable and agricultural production went up 12 per cent. The only major setback came in sugar beet production and 200,000 tons of sugar had to be imported when international sugar prices were high.

The crops in early spring this year looked promising, but absence of adequate rainfall in April and May has clouded the outlook. The wheat crop may be the hardest hit although a carryover from last year will help to alleviate the problem.

The Common Market continues to thwart Spain's efforts for association in an effort to protect its export market for agricultural products. In 1963, approximately 38 per cent of Spain's exports were destined for the Common Market countries, with citrus fruit the most important. The Spanish Government intends to renew efforts to join the EEC but it

Sweden

is difficult to predict the eventual outcome of the application.

The foreign trade picture demonstrates both the startling growth of the economy as well as its fundamental structural weakness. Relaxation of trade controls has done much to satisfy the pent-up demand for imported goods, yet import volume in 1964 could conceivably increase by as much as 20 per cent to approximately U.S.\$2.2 billion. With good fortune, exports could approach U.S.\$900 million in 1964 but they are highly unlikely to reach U.S.\$1 billion. Tourist revenue, worker's remittances from abroad, and foreign investment are expected to provide near-equilibrium in the balance of payments. But there is mounting concern over the future in spite of the fact that a large proportion of imports consists of capital equipment, which will eventually contribute to industrial progress.

Trading with Canada

Canadian sales to Spain in 1963 rose 33 per cent to Can.\$20.49 million. Table I indicates the trend over the past three years in important products. It is encouraging to note that although the totals for individual unspecified items appear small, the variety of products is great. This dispels the impression given by the table that Canadian exports to Spain are confined solely to industrial raw materials and semi-fabricated goods. Aluminum sales show the greatest expansion—Can. \$5½ million in 1963. The two Spanish smelters have protested to the Government and it is highly probable that agreement will be reached on either an obligatory or voluntary quota on aluminum imports. If this happens, it will affect the short-term expansion in sales to Spain but should not affect other sales opportunities.

The Spanish market will undoubtedly continue to expand at a fast pace and the present boom conditions may be maintained until 1970 or even beyond—barring any major unforeseen difficulties. ●

- Foreign trade rose by 8.7 per cent last year.
- EFTA preferences beginning to influence direction of trade.
- Manufactured goods figuring more largely in Canadian sales.

G. A. BROWNE, *Commercial Counsellor, Stockholm.*

THE affluent Swedish market, little short of booming, continued to expand in 1963 with a 7 per cent increase in gross national product over 1962, at current prices.

All production indices moved steadily up, with the over-all index for industry recording a 2½ per cent gain—about half of the previous year's increase, mainly because of less spending on machinery and equipment and a somewhat smaller increase in exports. The largest increases were in pulp and paper, metalworking, foods, leather and footwear. A high rate of building activity continued to stimulate the building materials industry and the number of dwelling units completed—although still short of the demand—reached a new record.

Employment in nearly all trades was notably strong and disposable incomes were at new peaks. This was reflected in the more-than-seasonal growth in the last quarter, which surpassed expectations. Automobile sales alone rose by 17 per cent and under this and similar pressures, the consumer price index moved up nearly 3 per cent.

Foreign Trade Expands

Sweden's total foreign trade in 1963 showed an 8.7 per cent rise over 1962. Exports totalled \$3.5 billion and imports \$3.7 billion, both substantial increases.

Imports of machinery, instruments, and electrical equipment and apparatus rose 5 per cent to \$670 million and of automobiles and trucks by 19 per cent to \$280 million. The over-all increase in imports was an estimated 7 per cent.

Table I, showing the composition of Sweden's imports by major groups, also indicates certain trends in its import market over the past ten years.

Import Deficit Continues

Although one-third of Sweden's production moves to export markets, its commodity trade continues to show a substantial import deficit. In dollar terms, this has averaged about \$230 million a year over the past decade—a figure roughly proportional to the Canadian. This indicates the scope and strength of market demand.

Important factors in the Swedish import market are the low tariffs on manufactured industrial goods and the growing influence of the European Free Trade Association preferences. Easily satisfied with the best, the open Swedish market attracts the latest in design and merchandising practices from all the major international traders, and with its high purchasing power, it is becoming a rigorous product-testing area. If his product will sell profitably in Sweden, the foreign exporter can usually be confident that his prospects in other European markets will be good—if the market access is comparable.

Within the European Free Trade Area (comprising Denmark, Norway, Sweden, Finland, Austria, Portugal, Switzerland and Britain) tariffs are now down to only 40 per cent of their normal level to non-members. The effect of this preference is now beginning to show in Sweden's purchases from Germany, its principal trading partner

TABLE I
SWEDEN'S IMPORTS, MAIN GROUPS

	1953		1963	
	(Millions of Can.\$)	Per cent	(Millions of Can.\$)	Per cent
Total imports	1,576		3,666	
Food, drink, tobacco	230	15	426	12
Fuels	270	17	496	13.5
Chemicals and products	91	6	277	7.5
Textiles	214	14	334	9
Manufactured iron and steel	80	5	144	4
Machinery, including electrical	194	12	668	18
Automobiles	77	5	280	8
Miscellaneous	420	26	1,041	28

TABLE III
WHAT CANADA SELLS TO SWEDEN

	1961	1962	1963
	(thousands of Can.\$)		
Food, drink, tobacco	1,728	1,341	2,470
Non-ferrous metals	9,039	10,238	10,805
Asbestos	460	363	583
Forest products	.....	46	487
Fibres and textiles	47	99	177
Chemicals, pharmaceuticals and allied products	1,055	1,634	1,982
Iron and steel	666	392	387
Non-metallic minerals and products	56	116	114
Machinery and industrial equipment	396	718	649
Telephone equipment	1,635	76	.....
Electrical and electronics	180	137	273
Motor vehicles	141	183	257
Heating, air conditioning and refrigeration equipment	87	71	118
Instruments	89	16	38
Office machines and computer equipment	986	690	933
Clothing and footwear	15	29	28
Gloves and mittens	116	151	237
Winter sports goods	95	129	221
Optical goods	48	63	56
Total, including all others	17,654	18,230	20,925

and chief supplier. These EFTA preferences will expand up to the end of 1966, when tariffs among the eight (with some few reservations) will disappear. This poses a problem for non-members of this Free Trade Area of some 95 million people, whose annual imports run close to \$23 billion.

What Canada Sells

Although non-ferrous metals—aluminum, copper, and nickel in primary forms—dominate Canadian shipments to Sweden, a steady expansion in the diversity and degree of manufacture of our exports is apparent. In 1959 the number of DBS classifications covered by Canadian exports to Sweden was 196; by the end of 1963 it was 322.

The exporter can obtain lasting participation and real rewards in the sophisticated Swedish market through systematic merchandising and concentration on an effective market base. This will take time, money, and consistent effort, but those who are prepared to make the effort will find it rewarding.

Outlook for 1964

An informal poll among trade and industry sources during the second quarter of this year indicated a general expectation of business increases in nearly all sectors of up to 10 per cent, with a few guesses running to 15 per cent and higher. Official statistical estimates seem to lend some colour to these expectations and the market outlook as a

TABLE II
SWEDEN'S IMPORTS, BY AREA

Total (millions of Can.\$)	1960	1963
	2,895	3,667
from	(per cent)	
EFTA	23.6	28.6
EEC	39.7	39.8
United States	12.6	10.0
Soviet Bloc	4.2	4.6
Canada	0.7	0.9

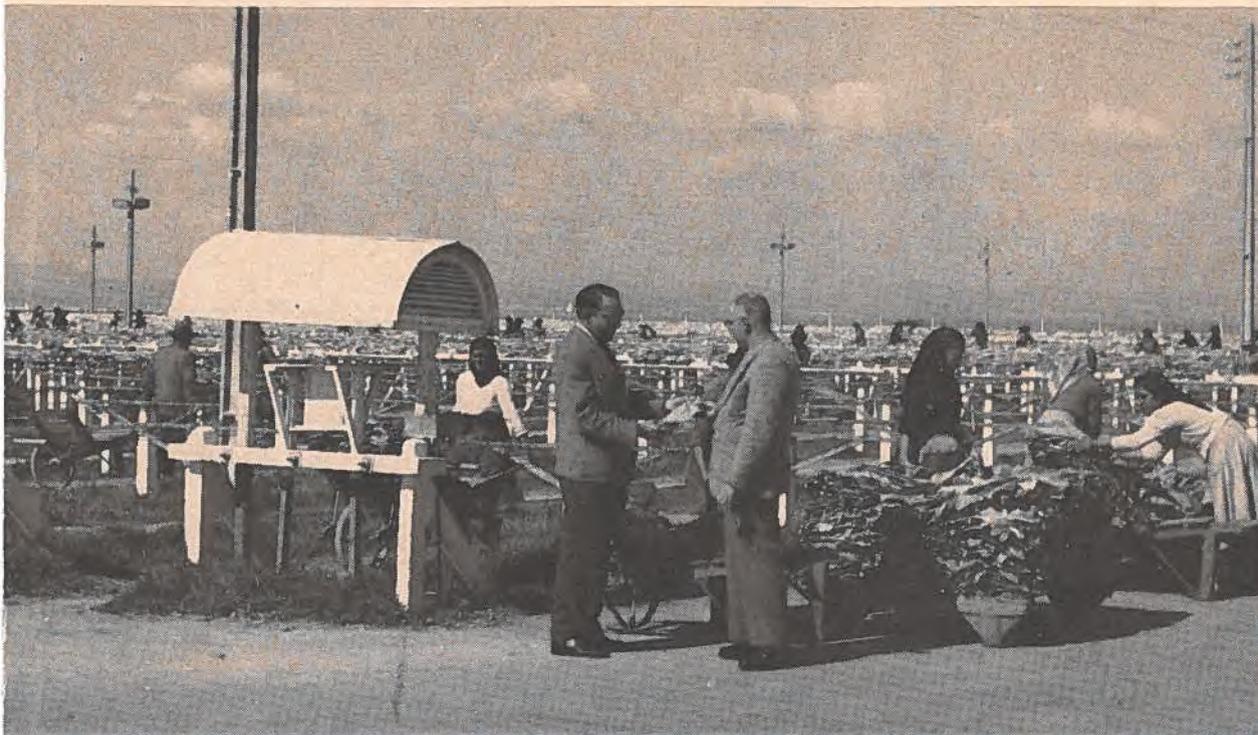
Source: Central Statistical Office, Stockholm.

whole is bright. One possible limiting factor is the credit situation. Market pressures are believed to be such that in January and February the Government took vigorous steps to check inflationary tendencies. The bank rate was increased to 4½ per cent and the Government put out two new loans in conjunction with a much more restrictive credit policy adopted by the Central Bank.

Commercial credit has seldom been tighter in Sweden and may be expected to affect the ability of some importers to finance increased imports during this credit squeeze. Canadian exporters who can, where desired, extend their terms of payment may expect as a result a livelier interest in their offers.

The Swedish market—nearly eight million consumers with one of the world's highest per capita incomes—has buyers for practically every kind of product. It might almost be said that there is nothing that cannot be sold in Sweden as long as it's the best of its kind. What can't be done in a market that imports frozen ready-to-bake peach and apple pies from a quarter of the way around the world and—even farther—canned drinking water from Vancouver?

Direct parcel post from Canada to Sweden, Denmark and Finland was resumed on April 4, and to Israel on April 18. Although the direct parcel post service is less costly than mailing via the British route, mailers should remember that sailings on the direct service cannot be depended upon to depart on any regular schedule or frequency.



In Portugal—The Commercial Assistant in our Lisbon office (left) and the manager of a Portuguese codfish drying plant (notice the cod spread out on long trestles in the background) examine and discuss the quality of Canadian wet salted cod. Last year we sold over \$1.7 million worth of salt cod to Portugal and 1964 sales should be even better.



In France—Last January the first shipment of Canadian baby chicks reached France. Helping to off-load them into a van at the airport is (left) R. G. Woolham, Assistant Commercial Secretary, Paris, and an Air France representative. These chicks will be used to breed layers.



In Ireland—Forest products continue to be best sellers in the Irish market. Here Canadian timber is on display at the Building Centre in Dublin. Looking it over are (left) the former Canadian Ambassador to Ireland, Alfred Rive, the manager of the Centre, and (right), P. V. McLane, Canada's Commercial Counsellor in Dublin.

Switzerland

- Slowdown measures necessary to curb activity and avoid inflation.
- Foreign trade reached record in '63; trade deficit larger.
- Canadian sales up, despite smaller shipments of wheat.

BERNARD HORTH, *Assistant Commercial Secretary, Berne.*

OVERHEATING seems to be the term most favoured by economists and business analysts in describing the performance of the Swiss economy in 1963. It is a condition which has been worrying the authorities here during the past few years. Surrounded on three sides by the rapidly expanding EEC economies of West Germany, France and Italy, this country, with a population of only 5½ million and an open economy (exports and imports together are equal to one-half of the gross national product), is finding it increasingly difficult to hold back inflation.

A housing and construction boom, a continuing inflow of foreign capital, and an almost desperate labour shortage have contributed to higher prices and wages and a growing current account deficit. During 1963, efforts to slow down economic activity were voluntary for the most part and consisted mainly of limitations on the amount of foreign labour brought in, and a gentleman's agreement between the National Bank and the private banks to restrict loans.

Although the economy advanced strongly last year, most indicators showed a slowing down in the rate of growth. Thus, although the GNP advanced 9 per cent to Sfr.50.5 million, the gain was less than in 1962; taking price increases into account it was only 5 per cent. Towards the end of 1963, however, it became apparent that the economy was once again facing excessive demand which was bringing new pressure to bear on prices, interest rates and the current account balance.

It is not surprising, therefore, that the Federal Council adopted new measures on March 17, 1964, designed to slow down economic expansion. In the main, these were a formalization and extension of the existing gentleman's agreement between the National Bank and the private banks that restricted domestic bank loans and foreign investment in Switzerland, the placing of a one-year ban on non-essential construction, and further restrictions on the foreign labour supply. (See "Switzerland Applies the Brake" in *Foreign Trade* of May 2, 1964.)

Labour Shortage Acute

The Swiss authorities have decided that, with more than 800,000 foreign labourers (nearly one third of the total work force) already employed, it would be undesirable for social, political and economic reasons to permit more to come in—even though the labour shortage is still acute. Over-all employment rose 2 per cent last year, with above-average gains in the trade and transport sector but declines in the important metal and machinery industries. Best proof of the tightness of the labour market is the average monthly unemployment rate of 825 persons in 1963. Understandably, wages are being pushed up: last year they rose about 7 per cent but because the gain in productivity was not commensurate, real wages are calculated to have risen by 4.5 per cent.

Of the various components entering into the GNP, consumption, especially public consumption, showed the greatest percentage in-

crease in 1963. Private consumption advanced 9 per cent, public sector consumption 14.9 per cent, gross domestic investment 7.5 per cent, and sales of goods and services abroad 8.3 per cent. In all instances the gains were less than in 1962. Some slight shifts from the previous year were apparent in the pattern of private consumption: retail sales of foodstuffs showed smaller increases, sales of clothing were larger, automobile sales were down slightly.

According to preliminary figures, domestic investment amounted to Sfr.14,800 million in 1963 or 29 per cent of GNP. The housing and construction boom continued, held in check only by the shortage of labour, materials and bank loans. Housing outlays rose by 4 per cent. A recent survey covering communities with more than 2,000 inhabitants revealed a 7.9 per cent drop in housing completions to 42,000 units. On the other hand, the number of building permits issued rose by 9.6 per cent and at the end of the year 56,000 units of housing were being built. Apart from housing, industrial construction increased 15 per cent in 1963; investment in plant and equipment rose about 3.5 per cent. So-called rationalization investments played a relatively greater rôle than did plant expansion: in the metal, machinery and chemical industries new projects and expansions declined by 16 per cent but rationalization projects increased by 17 per cent.

Government Spending

Federal Government spending in 1963 exceeded Sfr.4,000 million for the first time and is expected to reach Sfr.4,400 million in 1964, double the figure seven years ago. The main expenditures this year are Sfr.1,500 million for defence and Sfr.1,046 million for subsidy payments—triple the amount eight years ago. Public sector investment increased 30 per cent last year, with outlays on national highways alone rising by 50 per cent.

Reviewing the Swiss Economy, 1961-1963

	1961	1962	1963
Gross national product (million Sfr.)	41,140	45,940	50,100
Gain over previous year (per cent)	13	11.7	9.1
Reserves of Swiss National Bank at Dec. 31 (Sfr. million)	11,920.4	12,410.7	13,287.1
gold	11,078	11,543.3	12,203.8
currency	842.4	867.4	1,083.3
Swiss share index (Sfr. million)	1,138.7	835.3	783.8
Government receipts (Sfr. million)	2,997.7	3,628.5	3,646.9
Sources of government revenue (per cent)			
Income and wealth taxes	15.2	23.9	15.9
Consumption and expenditure taxes	30.8	29.1	32.3
Customs duties	42	37.5	42.2
Public debt (Sfr. million)	5,736.6	5,480.4	5,392.8
Trade (Sfr. million)			
Imports	11,644.4	12,985.4	13,989.4
Exports	8,822.1	9,579.9	10,441.7
Trade deficit (Sfr. million)	-2,822.3	-3,405.6	-3,547.7
Net earnings (Sfr. million)			
Tourism	1,080	1,210	.....
Capital	710	785	.....
Insurance	147	153	.....
Goods transport and transit trade	325	330	.....
Current account deficit	-914	-1,463	.....
Price index (average)			
Wholesale	214.9	222.3	230.9
Consumer	186.7	194.8	201.5
Industrial wage index (Dec. 31)	104.6	110.4	117.3
Unemployment (average monthly rate)	647	599	825
Tourism ('000)			
Foreign tourists	5,367	5,598	5,479
Total guest nights	17,419	18,119	17,781

The two principal features of the Swiss capital and money markets in 1963 were the continuing inflow of funds from abroad and the heavy demand for capital from the booming domestic economy. Although the capital inflow eased the strain on the capital market to some extent, the Federal authorities attempted to offset its effects on internal liquidity through the gentleman's agreement between the National Bank and the leading private banks and by entering into large-scale swap transactions with the Bank for International Settlements and the Federal Reserve Bank of New York.

Since the banks were restricted in their lending activities, companies seeking funds resorted to the issue of bonds and shares to a much greater extent than usual. Total offerings for public subscription amounted to Sfr.3.3 billion, 27 per cent more than in 1962. The increase resulted from domestic financing because the 19 foreign loans floated absorbed only Sfr.588 million, con-

siderably less than in 1962. Although the official discount rate remained unchanged at 2 per cent, market rates of interest tended to be higher, rising for day-to-day funds from 1 per cent at the beginning of July to 2½ per cent in the fall, and for three-month deposits to 3¼ per cent. There were conflicting trends on the Swiss stock exchanges last year, with inflationary forces within the economy encouraging buying but the shortage of funds holding it down. Over the year the share index declined 4 per cent; only shares of department stores and the food industry showed gains.

Foreign Trade Sets Record

Switzerland, like Canada, must export to sustain prosperity and economic growth. Unlike Canada, Switzerland must also import nearly all of its industrial raw materials. Generally speaking, these are transformed by its skilled workers into the fine textiles, watches, precision instruments, machinery, specialty

chemicals and pharmaceuticals which are exported to all parts of the world. However, the greater part of this country's trade is with the European continent: in 1963, 42 per cent of exports went to the EEC, and 64 per cent of imports came from that area. The EFTA countries took 18 per cent of exports and provided 14 per cent of imports. Switzerland achieved major gains in its exports to France and Italy in 1963, partly because of lower tariffs and partly because of inflationary tendencies in both countries. Among the EFTA countries, Britain increased purchases of Swiss goods by 14 per cent. Imports from Germany, France, Italy and Britain rose; those from the United States declined.

Swiss foreign trade attained a new record in 1963. Imports rose by 7.7 per cent to Sfr.13,989 million and exports by 9 per cent to Sfr.10,441 million. Taken together, imports and exports amounted to almost 50 per cent of GNP. Despite the sizable gain in exports the trade deficit reached Sfr.3,500 million. Traditionally, Switzerland has relied on earnings from capital, insurance, goods transport and tourism to make good the trade deficit. In 1962, despite net returns of Sfr.2,478 million from these activities, the current account deficit amounted to Sfr. 1,463 million. It is expected to be about the same for 1963.

Looking at the commodity composition of Swiss foreign trade in 1963, we find that the major export gains were registered by base chemicals and compounds (17.9 per cent), tanning materials and dyestuffs (13.3 per cent), clothing (12.7 per cent), paper and paper goods (9.9 per cent), electrical machinery (9.2 per cent), and shoes (8 per cent). Exports of pharmaceuticals, precision instruments and watches rose only slightly, and of non-electrical machinery, fabrics and optical instruments remained the same.

Imports of foodstuffs, with the notable exception of milling wheat, were all larger last year. In the raw material sector, imports of fuels were especially heavy during the

hard winter of 1962-1963, but iron and steel, copper, aluminum and lead were smaller. Among imports of manufactured goods, machinery, instruments and apparatus, clothing, paper and paper goods, and plastic and rubber manufactures showed the largest gains.

Swiss-Canadian Trade Up

Swiss-Canadian trade increased in both directions in 1963. Canadian exports to Switzerland rose from \$23.8 million in 1962 to \$27.2 million (DBS statistics). Last year we sold less wheat (a sharp decline), pulpwood, lumber, canned fish, asbestos, copper, zinc, aluminum, nickel, magnesium, synthetic rubber and office machinery. However, we made important gains in oats, maize, mustardseed, fresh and frozen fish, shell eggs, plastics, hides and skins, fur garments, electronic tubes, aircraft parts, skates and boots.

Switzerland's exports to Canada in 1963 totalled \$32.4 million

(1962, \$28 million). The principal products were dyestuffs, pharmaceutical specialties, cheese, soups, textiles and clothing, sewing machines, machine tools, electrical switchgear, photographic equipment, precision instruments, and watches and movements for which we were Switzerland's third best market (after the U.S. and West Germany), buying 3,233,678 pieces.

Outlook for 1964

Early indications are that little, if any, slowdown has occurred in economic activity in Switzerland during the first quarter of 1964. Retail sales were up 8.6 per cent. Wholesale prices dropped a little, but consumer prices remained stable. Federal receipts were the highest ever. Imports rose 17 per cent, exports 9 per cent and the trade deficit 40 per cent. Exports of textiles, shoes, pharmaceuticals, dyestuffs, cheese, soups, and tobacco products were all higher. Imports of meat, cereal

grains, lumber, dissolving pulp, copper, lead, machinery and automobiles surpassed the same period in 1963. According to Swiss figures, in the first quarter imports from Canada rose from Sfr.21 million to Sfr.36.5 million and exports to Canada rose from Sfr.29 million to Sfr.36.5 million. For the moment, the trade of the two countries is in exact balance.

It is still too early to observe any trends developing from the recent belt-tightening measures. Subject to whatever modest slowdown in economic activity these may induce, the outlook for the rest of 1964 is for continuing strong demand. Canadian exporters not yet doing business with Switzerland should bear in mind, however, that the market, though small, is diverse, highly prosperous, exceedingly competitive, decidedly quality-conscious, and under no circumstances should be regarded as an extension of the neighbouring French and German markets. ●

West Germany

- Business boom began in mid-1963; is continuing in 1964.
- Exports set new record last year, with automobiles in lead.
- Canadians selling more semi- and fully manufactured goods.

H. J. HORNE, *Commercial Counsellor, Bonn.*

BUSINESS conditions in Germany are good and this, for interested Canadian firms, means increasing possibilities for sales. The German economy which at the close of 1962 appeared to be slowing down made a marked improvement in the second half of 1963. This has continued and in fact accelerated in 1964. With the added stimulus of a mild winter, it has assumed the character of a boom.

Increased exports provided the impetus for expansion. German manufacturers, despite heavy export orders, continue to maintain low

prices. In contrast, prices in neighbouring Common Market countries have risen considerably; this resulted in a 20 per cent increase in German exports to them, principally to Italy and France. German exports in 1963 exceeded imports by DM6 billion* and already it is estimated that the 1964 surplus may reach DM9 to 10 billion.

The favourable trade balance, coupled with a bigger capital inflow, has produced a balance-of-payments

*3.66 Deutsche Marks equal one Canadian dollar.

surplus over which German policy-makers are showing concern, though they are not alarmed. A number of corrective measures have been suggested. On the trade side, revaluation and an export tax would undoubtedly slow down exports. However, Chancellor Erhard recently stated categorically that there would be no revaluation and no action taken that would curtail export sales. A speed-up in scheduled tariff reductions is expected to help by increasing imports. Germany has suggested that corrective measures could better be taken by those countries which accounted for the bulk of their export increase. They are afraid of "imported inflation" and have asked the Common Market countries for their co-operation.

To curb capital inflow, particularly the purchase of German bonds by foreigners, a 25 per cent with-

holding tax on interest payments to non-residents is pending. In addition, the minimum reserve ratio on foreign deposits held by German banks was raised and foreigners can no longer be paid interest on time deposits. To encourage the outflow of capital, the 2½ per cent tax on the value of bond issues floated in Germany was lifted.

The boom has stimulated consumer buying but although the German population as a whole undoubtedly has more real purchasing power at its disposal, the instilled desire to save money lessens slightly the influence of this demand.

There is still a chronic shortage of labour, even though some 800,000 "guest workers" from neighbouring countries are employed. Labour throughout the postwar period has shown a remarkable sense of national responsibility in its wage demands. But in the light of the present boom, workers are expected to seek proportionally higher pay increases in the major negotiations coming up later this year. Manufacturers, seeing no end to the labour shortage, are increasing investment in their plants, particularly to rationalize and modernize them. They are counting on automation to increase production without the need for more labour.

German industry, particularly those segments directly concerned with or tied to the export boom, is operating at capacity, though shipbuilding and textiles are notable exceptions. In the textile industry there have been reports of companies in unrelated fields buying up textile firms for their plant space and particularly for their labour force. A number of new oil refineries are or soon will be in operation and with them, the industry will be able to meet over 75 per cent of West German petroleum needs, estimated at between 55 and 60 million tons. This increase in capacity will see crude imports displace more finished and semi-finished products.

The Government is well aware of the danger of inflation and the deli-

	Value in millions of DM		Percentage change from 1962 to 1963
	1962	1963	
IMPORTS			
Total	49,499	52,279	+ 5.6
Of which:			
Food	13,681	12,780	- 6.6
Textiles	3,411	3,686	+ 8.1
Engineering products	3,070	3,000	- 2.3
Chemical products	2,550	2,893	+13.4
Non-ferrous metals	2,869	2,806	- 2.2
Petroleum, natural gas and bitumens	2,369	2,775	+17.1
Iron and steel	2,415	2,375	- 1.7
Electrical equipment	1,377	1,386	+ 0.6
Iron ores	1,221	1,098	-10.1
Vehicles	928	981	+ 5.7
Hardware	584	572	- 2.1
EXPORTS			
Total	52,975	58,316	+10.1
Of which:			
Engineering products	11,783	12,545	+ 6.5
Vehicles	5,877	7,914	+34.7
Chemical products	6,492	7,475	+15.1
Electrical equipment	4,720	5,153	+ 9.2
Iron and steel	4,113	3,923	- 4.6
Coal mining products	2,262	2,427	+ 7.3
Hardware	3,154	2,317	-26.5

*Including West Berlin.
Source: Federal Statistical Office.

cate balance which must be maintained, but elections in 1965 preclude any direct action that would be politically unpopular. All concerned have been told that they are expected to keep prices down; manufacturers particularly have been warned to hold a firm line with labour.

Food Imports Still Needed

German agriculture by international standards is far from competitive. In 1963 agriculture employed an estimated 12 per cent of the working population and accounted for 5 per cent of the gross national product. Small farm units (21 acres on the average) result in high costs. Supports required by German law to keep agricultural income equal to that in other sectors of the economy take the form of subsidies, benefits and certain tax exemptions. The Green Plan, through which this is done and which also improves

agricultural standards, budgeted for expenditures of DM2.5 billion in 1963.

Agricultural production in Germany has doubled since 1948 but there has been little progress towards self-sufficiency and imports still account for 30 to 35 per cent of total food requirements. This creates a large import market for agricultural products. Canada's main export to Germany is wheat, which is used for mixing with domestic wheat for bread flour and for pasta products. In the five year period ended 1962, the value of our wheat exports to Germany averaged \$57 million annually. There was a drop in 1963 because of the above-average wheat crop in Germany and earlier stockpiling before the EEC grain regulations were implemented on July 1, 1962. Exports in 1964 are expected to equal the long-term average. Canada also supplies fisheries products, oilseeds, seeds,

TABLE II
DIRECTION OF WEST GERMANY'S TRADE*
(millions of DM)

	IMPORTS			EXPORTS		
	1962	1963	Percentage Change	1962	1963	Percentage Change
Western Europe (including Yugoslavia)	26,638	29,268	+ 9.9	36,073	41,052	+13.8
Of which:						
EEC including Greece	16,222	17,617	+ 8.6	18,544	22,349	+20.5
EFTA including Finland	9,989	10,259	+ 2.7	15,643	16,612	+ 6.2
United States	7,033	7,941	+12.9	3,858	4,195	+ 8.7
Eastern Bloc†	2,159	2,155	- 0.2	2,143	1,813	-15.4
Other countries	13,669	12,915	- 5.5	10,901	11,256	+ 3.3
Total‡	49,499	52,279	+ 5.6	52,975	58,316	+10.1

*Includes West Berlin.

†Including Communist China, the Mongolian People's Republic, North Korea and North Vietnam.

‡Differences are due to rounding of figures.

Source: Federal Statistical Office.

TABLE III
WHAT CANADA SELLS
WEST GERMANY

	1962	1963
	(Can.\$'000)	
Total exports	177,689	170,967
Of which:		
Wheat	68,752	45,540
Other grains	7,853	6,168
Aircraft engines, assemblies, instruments and parts	20,190	32,178
Aluminum	10,403	14,294
Copper	7,738	4,825
Nickel	3,332	4,505
Asbestos	10,060	11,399
Iron ore	5,324	4,343
Tobacco	3,235	2,021
Furs	1,084	1,399
Veneers, plywood	1,000	1,636
Lumber	1,728	1,596
Iron and steel products	2,012	2,306
Non-metallic minerals	1,550	2,480
Plastics and synthetic rubber	5,691	4,089
Wood pulp	4,916	6,731
Card punch machinery, computers and parts	4,927	4,100

coarse grains, and canned fruits and vegetables (principally cherries and beans).

Foreign Trade

Germany in 1963 became the world's second importing country which, coupled with second place among exporting countries achieved in 1961, placed it close behind the world leader, the United States, in both categories.

Exports, at DM58.3 billion, set a new high, as did imports at DM52.3 billion. Exports were led by vehicles; Germany is now the world's largest car exporter. The chemical industry also increased its exports considerably to a slightly lesser degree, so did electrical equipment. Imports increased at only about half the rate of exports, with the largest growth in petroleum products, followed by chemical products. The latter industry also supports an export increase through refining and processing for export.

The change in direction and importance of Germany's trade, particularly with the European trading blocs, is of interest. In absolute terms, trade with EFTA countries showed a small increase; their proportion of German trade dropped considerably and unless Britain joins the Common Market, this trend is likely to continue.

Soviet Bloc's Share

West German trade with Eastern Bloc countries has been declining slightly but steadily in recent years. An exception is trade with East Germany, where in 1963 exports valued at DM860 million (1962—DM854 million) and imports valued at DM1,022 million (1962—DM 914 million) showed a fair increase. Because of a new trade protocol a further rise is expected in 1964.

TABLE IV
CANADIAN IMPORTS FROM
GERMANY*

	1962	1963
	(Can.\$'000)	
Total imports	141,197	144,022
Of which:		
Automobiles and parts	40,309	38,116
Bars and plates	3,984	7,793
Radio phonograph and receiving sets	2,491	1,831
Metalworking machinery	2,408	3,435
Sheet glass	2,378	2,081
Engines	2,160	2,137
Drugs and chemicals	1,908	3,386
Ball and roller bearings	1,324	1,320
Presses and paper machinery	1,257	1,693
Telephone and telegraph apparatus	1,240	1,201
Wire steel	1,147	1,357
Tractor and parts	1,103	2,705

*Source: Dominion Bureau of Statistics.

Preliminary figures for the first three months of 1964 show an even higher rate of exports, forecasting a favourable trade balance in 1964 of DM9 to 10 billion.

Canadian Trade with Germany

Germany is Canada's fourth largest trading partner and provides a steady market for Canadian wheat, asbestos, ores and metals, wood pulp and forest products. The Germans also buy from us quantities of military supplies. Although primary products and raw materials make up the bulk of our exports, recent

years have brought an increase in semi- and fully manufactured goods. This has resulted from the average German's larger disposable income coupled with greater awareness of and activity by Canadian manufacturers in this market. An outstanding example is the increase in exports of fur garments from \$15,000 in 1962 to more than \$350,000 in 1963. There are opportunities for new or increased sales in many fields—such as sporting goods, toys, technical equipment, prefabricated buildings, food products, and consumer products of all sorts of new or unique design. In fact Canadians could sell any article that is suitable and priced right.

Trade fairs are recognized in Germany as a prime method of procuring business, and Canadian firms have not yet taken full advantage of the opportunities they present.

Although our exports to Germany dropped \$7 million last year, imports increased by \$3 million, reducing the trade balance in our favour from \$36 million in 1962 to \$26 million in 1963.

Automobiles account for more than a quarter of all our imports from Germany, and the remainder is made up of hundreds of items, mainly highly manufactured goods. Principal exceptions to this general statement in 1963 were iron bars and sheets (doubled in 1963 from \$4 to \$8 million), drugs and chemicals (\$3.3 million) and glass (\$2 million). Little change has taken place or is expected in the import pattern.

Preliminary German statistics for the first quarter of 1964 show that Canadian exports to Germany have increased nearly 25 per cent over the same period in 1963. At the same time, imports from Germany have jumped nearly 50 per cent, with machinery and motor vehicles gaining the most ground. With the quarter's exports at \$35 million and imports at \$30 million, our traditionally favourable trade balance with Germany will be reduced and could be turned into a deficit if this trend continues. ●



These buses conducted nearly 200 guests on a tour of the new plant of Polymer's subsidiary, S. A. Polysar Belgium, at Zwijndrecht, near Antwerp.

Polymer Opens Belgian Plant

ON May 11, 1964, S.A. Polysar Belgium, a subsidiary of Polymer Corporation of Sarnia, Ontario, officially opened its plant near Antwerp. The spacious new warehouse held hundreds of cases of butyl rubber, the first produced there. One end of it, however, had been transformed by curtains, draperies, carpets and special lighting effects into a modern conference hall. It gave no hint to the nearly 200 persons assembled for the ceremonies that in a matter of hours the dais, the chairs, the public address system and the decorations would be replaced by more synthetic rubber emerging from a complex series of pipes, pressure tanks and fractionation towers for shipment to customers throughout Europe and overseas.

To those of us gathered on the site of the \$14 million plant which a few years ago was Flanders farmland, the chairman of Polymer, Ralph Rowzee, stressed the importance of the occasion, marking as it did the completion of an expansion program that Polymer initiated in 1960. This program involved the building of the butyl plant at Antwerp, a special rubber plant at Strasbourg in France, and a unit in Canada to produce a new family of stereo specific synthetic rubbers known as Taktene. The cost of these three plants, plus working capital, totalled approximately \$50 million.

Explaining the reason why Polymer came to build a plant in Belgium, the chairman said: "In recent years, in order to participate in the growth of its markets, Polymer decided to create new facilities within the Common Market. The result was that, after careful investigation, it was decided that two plants should be built within the EEC—one in France at Strasbourg, the other in Belgium at Zwijndrecht, near Antwerp."

Polymer now owns, or has an interest in, factories in Belgium, France and South Africa and a plant is to be built in Mexico. It has an international marketing company in Switzerland.

Following the opening ceremonies, which were attended by the Belgian Minister of Economic Affairs, by senior officials of the Government, the province and the municipality and by representatives of the Canadian Embassy, the guests were conducted on a tour of the plant before embarking at Polysar's own pier on the M.V. *Flandria XVI* where lunch was served while cruising up and down the River Scheldt past both old and new industrial plants—neighbours to this Canadian newcomer, with its skyline of towers and spheres so typical of the new industries of the mid-twentieth century.

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

COMMODITY NOTES

Aluminum

WEST GERMANY—A \$3.5 million aluminum cable plant is being built in Berlin as a subsidiary of Kaiser Aluminum & Chemical Corporation. It will be the first factory to manufacture aluminum cable in Germany and production is scheduled to begin in 1965. Another plant to produce sheet and profiled aluminum is being built at Coblenz by Kaiser Aluminum Werk GmbH., another subsidiary of the U.S. company—Duesseldorf.

Animal Feeds

ITALY—The largest animal feed plant in Europe was recently inaugurated at Leghorn in central Italy. It has a daily capacity of 700 metric tons and will produce the Master-Mix feeds of the Central Soya Co. of the United States—Rome.

Bauxite

TURKEY—The ETIBANK, the government-controlled industrial development bank, has requested U.S.\$750,000 in United States AID funds to finance bauxite explorations in the Milas, Bolkardag and Alanya regions. Earlier exploration work was encouraging and reserves in the Milas region alone are estimated at some 30 million tons.

The need for bauxite deposit exploration is emphasized in the Turkish Government's Five Year Economic Development Plan 1963-1967—Athens.

Electric Furnaces

NORWAY—Elektrokemisk A/S, a Norwegian firm which specializes in designing and building electric smelting furnaces, is to supply an additional two pig iron furnaces to the Yugoslavian state enterprise Rudnici. The furnaces will be used in a new iron and steel plant near Skoplje and will have an annual capacity of 600,000 tons. Elektrokemisk has previously delivered three furnaces to the Skoplje plant. The latest contract, worth about Norwegian kroner 20 million, includes equipment for the pre-treatment of the raw materials to be used in the furnaces by means of gas redirected from the smelting furnaces. This process has been developed by Elektrokemisk and the Skoplje plant will be the first in the world to use it—Oslo.

Forest Products

NEW ZEALAND—The Forest Service reports that 1963 was a record year for forest-product exports, with sales reaching approximately \$32.7 million. The largest

factor was an increase in newsprint shipments to 105,932 long tons valued at approximately \$17.4 million over the 1962 figure of 41,493 tons valued at \$6.9 million. Australia was the principal market, taking \$27.3 million worth—Wellington.

Frozen Foods

SOUTH AFRICA—Construction of a \$1.2 million frozen food plant, described as one of the largest in the Southern Hemisphere, will begin shortly at George in the Cape Province. The plant, a subsidiary of a large overseas organization, will be equipped with the most modern machinery for the preparation and processing of quick-frozen vegetables and soft fruits.

Initial production of 2,000 tons of vegetables, strawberries, and youngberries is expected to start early next year. The bulk of the production will be for export—Cape Town.

Furs

NORWAY—Total value of pelts sold at the Oslo Fur Auctions during the December 1963 to May 1964 season reached a record high of Norwegian kroner 151 million, an increase of 31 million over the previous year. Sales comprised 1,168,000 mink skins and 67,000 fox skins, compared with last season's 998,000 and 98,000 respectively. Practically all pelts sold were exported—Oslo.

Iron Ore

SWEDEN—Ore production at Kiruna and Malmberget totalled a record 17.3 million tons in 1963, nearly one million more than 1962. Kiruna accounted for 13.1 million tons (12.5 million in 1962).

Shipments of ore from Narvik reached 13.6 million tons (13.2 million in 1962) and Luleå handled 3.6 million (3.1 million in 1962). Government-owned LKAB ore accounted for nearly all these shipments.

Production this year is expected to reach 18 million tons, of which the Kiruna mine will produce 13.5 million and Malmberget 4.5 million—Stockholm.

Nuclear Power

WEST GERMANY—A 240,000-kw. nuclear power plant is to be built on the Neckar River near Obringheim in Southern Germany. This will be the third com-

mercial plant in the Federal Republic, although 14 research reactors have been producing electricity on an experimental basis since 1962. The addition of this plant will bring the total electrical output from nuclear energy to 727,000 kw. The first two reactors are of the boiling water type, but the latest one may be a pressure reactor—Duesseldorf.

Petrochemical Equipment

MEXICO—French-made petrochemical machinery and equipment worth U.S.\$8.3 million is to be installed in a new methanol plant in the State of Mexico and an ethylene oxide plant at Reynosa in the State of Tamaulipas.

Delivery of equipment was expected by late June, with inauguration of both plants in August. When completed these plants will produce 15,000 tons of methanol and 10,000 tons of ethylene oxide respectively, replacing imports now valued at U.S.\$5.2 million a year—Mexico City.

Steel for Watches

SWEDEN—Eighty per cent of the steel Swiss watch-makers require comes from Sandviken Steel Works in Sweden. One feature of the work done by this firm has been the employment of a stainless watch spring steel which lasts up to 10 times as long as the older type of carbon steel spring. Experiments have shown that the new type of spring will permit 10,000 re-windings—equal to 28 years of uninterrupted service—before breaking.

Stainless steel watch-winding stems are also another weak point and after an exhaustive series of tests, a type of steel has now been developed by Sandviken which will not rust—as do the older carbon steel stems—and will machine as well as carbon steel. Machining is such an expensive process that improvements of only a few per cent in machinability can be important to the watchmaker—Stockholm.

Timber

FINLAND—Finland has sold 820,000 standards of sawn timber so far this year. This exceeds by 60,000 standards the sales at this time last year—Stockholm.

Titanium

NEW ZEALAND—A £120,000 factory for the treatment of titanium-bearing sand will be constructed on the west coast of New Zealand's South Island within a year. The Blue Tasman Syndicate, which was established in 1962 with the approval of the Minister of Mines, has undertaken intensive investigations of the sands and of the economics of such an industry.

“We now have every detail completed and are going to go ahead,” said Managing Director J. Kileen. He said the Japanese Trade Commissioner in Sydney has asked for price quotations for the purchase of an impure titanium slag on Japanese industries as soon as possible. “The Japanese are prepared to use the titanium slag as a reciprocal trading product, and have even offered to provide shipping for the new industry,” he said.

New Zealand annually imports 3,000 tons of titanium white, which is processed into titanium dioxide for use as a base in the preparation of white paint—Wellington.

Trade Commissioners on Tour

In Canada

The following officers are undertaking tours of business centres throughout Canada as detailed below. Businessmen who wish to see them should get in touch with the Board of Trade or Chamber of Commerce in the cities mentioned, with the following exceptions: Toronto, Canadian Manufacturers Association; Windsor (Ontario), Greater Windsor Industrial Commission; St. John's, Halifax, Ottawa, Winnipeg and Vancouver, Department of Trade and Commerce; Fredericton, Department of Industry.

Britain—B. C. Butler, Minister (Commercial) in London.

Quebec City—June 29	Halifax, Kentville, Berwick— July 7-12
Fredericton—June 30	
Saint John—July 2-3	St. John's, Grand Falls— July 13-15
Charlottetown—July 4-6	Ottawa—July 15

E. J. Ward, Commercial Secretary (Timber) in London.

Truro—June 29

Lebanon—L. A. Campeau, Commercial Counsellor in Beirut.

Hamilton—June 27-30	Montreal—Aug. 5-12
Winnipeg—July 2	Quebec City—Aug. 13-14
Vancouver—July 3-9	

Tours of Territory

Barbados—C. J. St. Pierre, Acting Commercial Secretary in Port-of-Spain, Trinidad, will visit Barbados June 29-July 14.

Mozambique—C. R. Gallow, Trade Commissioner in Johannesburg, South Africa, will visit Lourenco Marques October 5-9.

South Africa—C. R. Gallow, Trade Commissioner in Johannesburg, will visit Durban August 17-28.

Businessmen who would like these officers to undertake assignments for them should write to them at their posts as soon as possible.

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 Office of Trade Relations and Trade Policy, 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 .925390.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent June 15	Units per Canadian dollar	Notes (see below)
Algeria	Dinar		.2204	4.54	
Argentina	Peso	Free	.007865	127.14	
Australia	Pound		2.4158	.4139	
Austria	Schilling		.04183	23.91	
Bahamas	Pound		3.0197	.3312	
Belgium and Luxembourg	Franc		.02168	46.13	
Bermuda	Pound		3.0197	.3312	
Bolivia	Peso	Free	.09189	10.88	
Brazil	Cruzairo	Official Free	.0009158	1,091.94	
Britain	Pound		3.0197	.3312	
British Gulana	Dollar		.6291	1.59	
British Honduras	Dollar		.7549	1.32	
Burma	Kyat		.2269	4.41	
Ceylon	Rupee		.2265	4.42	
Chile	Escudo	Bank rate	.4596	2.18	
		Free	.3351	2.98	
Colombia	Peso	Free	.1082	9.24	
		Certificate	.1201	8.33	
Congo, Republic of	Franc		.007204	138.81	(4)
Costa Rica	Colon		.1631	6.13	
Cuba	Peso		‡	‡	
Czechoslovakia	Koruna		.1501	6.66	
Denmark	Krone		.1564	6.39	
Dominican Republic	Peso		1.08063	.9254	
Ecuador	Sucre	Official	.06003	16.66	
		Free	.05835	17.14	
El Salvador	Colon		.4323	2.31	
Fiji	Pound		2.7204	.3676	
Finland	Markka		.3377	2.96	
France, Monaco, etc.	Franc		.2204	4.54	(1)
Franco-African Republics, etc.	Franc		.004408	226.86	(2)
French Pacific	Franc		.01212	82.51	(3)
Germany	D Mark		.2719	3.68	
Ghana	Pound		3.0197	.3312	
Greece	Drachma		.03602	27.76	
Guatemala	Quetzal		1.08063	.9254	
Haiti	Gourde		.2161	4.63	
Honduras	Lempira		.5403	1.85	
Hong Kong	Dollar	Free	.1887	5.30	*June 5
		Official	.1887	5.29	

‡There is no trading in Cuban pesos in U.S. or Canadian banks at present.

*Latest available date.

Country	Unit	Type of Exchange	Can. dollar equivalent June 15	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official	.02513	39.79	(4)
India	Rupee		.2285	4.42	
Indonesia	Rupiah		.004322	231.35	(4)
Iran	Rial		.01427	70.10	
Iraq	Dinar		3.0258	.3305	
Ireland	Pound		3.0197	.3312	
Israel	Pound		.3602	2.78	
Italy	Lira		.001729	578.37	
Japan	Yen		.003002	333.11	
Lebanon	Pound	Free	.3501	2.86	
Malaysia	Straits dollar		.3530	2.83	
Mexico	Peso		.08645	11.57	
Morocco	Dirham		.2161	4.63	
Netherlands	Florin		.2984	3.35	
Netherlands Antilles	Florin		.5730	1.75	
New Zealand	Pound		2.9991	.3334	
Nicaragua	Cordoba		.1544	6.48	
Nigeria	Pound		3.0197	.3312	
Norway	Krone		.1512	6.61	
Pakistan	Rupee		.2265	4.42	
Panama	Balboa		1.08063	.9254	
Paraguay	Guarani	Free	.008542	117.07	
Peru	Sol	Free	.04028	24.83	
Philippines	Peso	Free	.2772	3.61	
Portugal & Colonies	Escudo		.03759	26.60	(5)
South Africa	Rand		1.5099	.6623	
Spain and Dependencies	Peseta		.01801	55.52	
Sweden	Krona		.2105	4.75	
Switzerland	Franc		.2504	3.99	
Syria	Pound	Free	.2833	3.53	
Thailand	Baht	Free	.05126	19.51	(4)
Tunisia	Dinar		2.6151	3.82	
Turkey	Lira		.1201	8.33	(4)
United Arab Republic	Pound	Official	2.4854	.4023	
United States	Dollar		1.080625	.925390	
Uruguay	Peso	Free	.05718	17.49	
Venezuela	Bolivar	Official Free	.2404	4.16	
West Indies	Dollar		.6291	1.59	(6)
	Pound		3.0197	.3312	(7)
Yugoslavia	Dinar	Official	.001441	693.96	

Notes

1. Franc is also used in 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 and Tobago, Leeward and Windward Islands.
7. Jamaica.

BUSINESSMAN'S BOOKSHELF

A Handbook of International Marketing

A. O. Stanley. 651 pages. \$21.60.

THIS handbook covers the many fields of specialization in international marketing today. The author is well qualified to deal with this subject. He has been associated with Dun and Bradstreet since 1928, he is a Director of the International Marketing Institute, the editor-in-chief of the Gallatin Annual of International Business and serves on the faculty of the International Marketing Institute Seminar, Harvard School of Business.

Mr. Stanley's method is to devote a chapter to each problem involved in international trading. Beginning with basic techniques, he outlines the approach in clear, simple language. He then proceeds to the more complex aspects for those who want to pursue the topic in more detail.

Although each chapter deals with one facet of international operations, together they form a cohesive whole. The author writes as an American but the book should have an almost universal application. Certainly there is enough common ground to make this a worthwhile tool for the Canadian businessman engaged in international trade.

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Order from: McGraw-Hill Company of Canada Ltd., 253 Spadina Road, Toronto 4, Ontario.

Non-Ferrous Metals

Commonwealth Economic Committee. 214 pages. £2.2.0.

THE September 7, 1963, issue of *Foreign Trade* contained reviews of the CEC's Commodity Series of seven volumes on fruit, grain crops, plantation crops, dairy produce, industrial fibres, meat, and vegetable oils and oilseeds. *Non-Ferrous Metals* is an addition to this series and, as such, will be published once a year from now on. Following the pattern of the other publications in the series, it examines the resources, production, trade, consumption, stocks and prices of the metals bauxite, aluminum, copper, lead, zinc, tin and cadmium with special reference to the Commonwealth. Discussing as it does the trends in world output, the developments in mining countries, international actions affecting

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Order from: The Queen's Printer, Government Printing Bureau, Ottawa, Canada.

Latin America's Merging Market

Business International. 55 pages. \$50.00.

HERE is a clear and concise analysis for the businessman of the "new world being created in Latin America". Gathered together are sufficient statistics and other data on the trading patterns of Latin American countries with each other and with the outside world to support the analysis of the impact of tariff concessions made by the countries of the Latin American Free Trade Association under the terms of the Montevideo Treaty of 1961. The study properly emphasizes, with examples, that the creation of tariff preferences among the LAFTA countries has been quite heavily reinforced by the construction of non-tariff walls against goods from outside countries.

A short history of the development since 1961 of the LAFTA and its mechanisms for tariff cutting is followed by an explanation of complementation: that is, agreements designed to speed up the area's industrialization by creating "a single and large market on a product-by-product basis." The other provisions of the Montevideo Treaty, including the definition of product origin and the various escape clauses, are thoroughly discussed.

Probably of greatest interest to the businessman is the discussion of corporate experience with LAFTA, both by corporations within the area and those on the outside seeking to expand industrial and commercial activities into the area.

The financial and monetary problems that stand in the way of rapid integration of the LAFTA market—the shortage of credit for both internal business growth and export financing and the lack of an established intra-LAFTA banking system—and the Inter-American Development Bank's attempts to solve some of these problems are discussed objectively.

Also dealt with are the problems of transportation and communications in the area and the factors to be kept in mind in selecting one of these countries as a base for operations.

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