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FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA



Trade and Development in Western Europe

FOREIGN TRADE

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COVER: A Dutch family will soon be moving into this house, which is quickly taking shape. It marks an important "first" in our trade with the Netherlands because it is the first house to be built there using Canadian timber-frame construction methods and Canadian materials.

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Canada's Trade with Western Europe 2

Last year Canadian exports to the Western European countries rose by \$100 million, or 13 per cent. This article discusses the main factors in this increase and the commodities and the markets that figured largely in this impressive rise.

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From Brussels, headquarters of the several European Communities, comes this summary of developments within the Common Market during the past twelve months—crucial ones both for the Community and for several of its members.

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COMING—AUTO PARTS SUPPLIERS MUST SHIFT TO TOP GEAR, JULY 9 ISSUE

Canadian exports to this area have increased by 90 per cent in six years; in 1965 reached \$851 million. EEC countries alone took \$626 million, as most of the Six continued economic expansion.

A. M. BALDWIN, *Acting Chief, European Division.*

THERE CAN BE no question about the importance of Western Europe as a market for Canadian exports. In 1965, these countries took 10 per cent of all our exports compared with 8 per cent in 1959. This market of continental Western Europe expanded sharply over this period with Canadian sales of some \$851 million in 1965, an increase of 90 per cent over 1959.

The initial surge in Canadian exports to these countries can be attributed largely to the generally buoyant economic conditions reflected in the move in 1958 to external convertibility of European currencies and the subsequent elimination of the great majority of discriminatory restrictions against dollar imports. Since then, the rate of economic growth in the European Economic Community or Common Market has been about 5½ per cent. It dropped in 1965 to 4 per cent, principally because of deflation in Italy, a stabilization policy in France, and slow growth in Belgium. Growth in the Economic Community as a whole will probably resume its upward course in the light of the expanding economies in France, Italy

Canada's Trade with Western Europe

Skins provided by the Canadian Mink Breeders Association were used in these coats which were modelled in Milan during a visit by CMBA officials. Standing between the models is Jole Veneziani, a local high-fashion designer.





This uncluttered, functional exhibit shows Canadian sporting equipment to the best advantage at the 1965 SPOGA fair held each year in Cologne. Canada is a regular exhibitor in this show.

and Belgium, even if the expansion of the German economy slows down slightly from its spectacular rate over the past 15 years.

EEC and EFTA Trade

Total imports into the EEC during 1965 rose 6.5 per cent and exports from it by 12 per cent over 1964, so that there was a further substantial reduction in the Community's over-all trade deficit, which had persisted over the past six years. Intra-Community trade also increased in 1965 with an expansion of not less than 17 per cent—in spite of a certain braking effect towards the end of the year because of the reduction of the internal industrial tariffs by a further 10 per cent which took effect on January 1, 1966. The pattern of the imports the Six took from each other in 1966 indicates that purchases by West Germany were no longer the essential factor in the growth of trade among them. Imports by France and Italy rose very rapidly and those by the Benelux countries also increased to a considerable degree in anticipation of higher sales taxes coming into force on January 1, 1966. On the export side, increased sales by France and Italy played an important role.

In the other major trade group, the European Free Trade Association, total exports rose by 2 per cent but imports fell by 1 per cent.

Both the EEC and EFTA reduced tariff barriers for member states ac-

ording to plan on January 1, 1966. The tariffs between EEC countries were lowered a further 10 per cent, so that the internal tariffs on industrial goods are now down to 20 per cent of their 1957 level and on

Canadian Trade with Western Europe 1964-1965

| | EXPORTS | | IMPORTS | |
|------------------------------------|-----------------------|--------------|--------------|--------------|
| | 1964 | 1965 | 1964 | 1965 |
| | (millions of dollars) | | | |
| European Economic Community | | | | |
| Belgium-Luxembourg | 100.5 | 128.0 | 59.2 | 72.0 |
| France | 79.4 | 87.3 | 69.0 | 95.9 |
| Italy | 62.2 | 93.2 | 67.5 | 80.3 |
| Netherlands | 101.6 | 127.8 | 39.9 | 56.3 |
| West Germany | 211.5 | 189.5 | 170.4 | 209.5 |
| Total | 555.3 | 625.8 | 406.0 | 514.0 |
| European Free Trade Area | | | | |
| Austria | 7.5 | 9.9 | 9.6 | 12.3 |
| Denmark | 7.5 | 9.2 | 15.7 | 20.1 |
| Finland | 4.5 | 4.8 | 3.2 | 2.8 |
| Norway | 67.6 | 82.0 | 27.3 | 33.6 |
| Portugal | 6.3 | 5.3 | 9.6 | 11.1 |
| Sweden | 29.9 | 29.0 | 38.8 | 55.6 |
| Switzerland | 28.5 | 27.1 | 36.9 | 44.0 |
| Total | 151.7 | 167.2 | 141.2 | 179.4 |
| Other Europe | | | | |
| Greece | 8.0 | 8.2 | 1.6 | 1.8 |
| Ireland | 15.1 | 16.7 | 5.6 | 6.9 |
| Spain | 21.2 | 33.5 | 11.7 | 13.3 |
| Total | 39.7 | 58.4 | 18.9 | 22.0 |
| Grand total | 751.3 | 851.4 | 566.0 | 715.4 |

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agricultural goods to 35 to 40 per cent. The rates of duty applicable to goods imported from Canada, the United States, and other non-EEC countries have already moved 60 per cent of the way towards alignment with the common external tariff. On May 11, 1966, the member countries agreed that the common external tariff should be introduced on July 1, 1968. At the same time, internal tariffs will be entirely eliminated by a final reduction of 15 per cent, following a scheduled reduction of 5 per cent on July 1, 1967.

In the EFTA countries, tariffs on industrial goods were also lowered by a seventh internal reduction of 10 per cent on December 31, 1965, according to the revised time-table, so that internal tariffs also are down to 20 per cent of their basic rates. It is expected that at the end of 1966 the internal tariffs will be reduced to zero.

In addition to industrial tariff reduction, the EEC has reached a major agreement in the agricultural field by its decision on May 11, 1966, to introduce single market regulations for its main agricultural products on July 1, 1967. It has also been agreed that the Community will assume on the same date the full cost of disposing of surplus farm production and of providing price supports for farmers. Common prices for most agricultural products will be introduced between the end of 1966 and July 1, 1968.

Pattern of Canadian Exports

The constantly increasing value of the market in Western Europe for Canadian exporters was confirmed by the 1965 increase in total Canadian exports of \$100 million over 1964, a rise of 13 per cent. This increase was particularly important in the light of the considerable drop in Canadian sales to the state-trading countries of Eastern Europe. A massive sale of wheat to the U.S.S.R. in August 1965 has, however, resulted in substantial shipments to the U.S.S.R. in the last quarter and these are continuing during the current crop year. Total sales of wheat and flour will be worth about \$450 million.

Renewed economic expansion in most of the member countries of the EEC meant greater demand for Canadian products, sales of which



These chain saws shown on the airport loading dock are all destined for European markets. The 3,000-unit order was one of the largest ever for the Vancouver maker.

reached a record total of about \$626 million. Our most important single market was West Germany (\$190 million), followed by Belgium-Luxembourg (\$128 million) and the Netherlands (also \$128 million), Italy (\$93 million), and France (\$87 million). Of these countries, our sales to Italy made the most impressive rise, with an increase of 50 per cent over 1964. The major products featured in this increase were wheat, rapeseed, primary aluminum, wood pulp, and navigation instruments and apparatus. Canadian shipments to the Netherlands also rose substantially, with an increase of about 27 per cent over 1964. Exports to the other member countries expanded, with the exception of West Germany which provided a smaller market for a number of major Canadian products—in particular, wheat and navigation instruments.

The continental EFTA countries were smaller although valuable markets for Canadian exporters. Norway, because of its substantial purchases of Canadian nickel for smelting, continued to be our largest customer. In addition to our sales of \$82 million to Norway, shipments to Sweden were

maintained at \$29 million, almost the same figure as in 1964. When considered as a trading group, Canadian exports to the continental EFTA countries were up 10 per cent over 1964, principally because of larger shipments to Norway.

Other European Customers

Apart from the member countries of the EEC and EFTA, there are three Western European countries outside these trade groups—Greece, Ireland and Spain. (Greece is, of course, associated with the European Economic Community.) Our exports of \$34 million to Spain were 50 per cent higher than in 1964, and the products that bulked large in this increase were primary aluminum, asbestos, copper scrap, and salt cod. On the other hand, Canadian sales to Greece, at \$8 million, remained at the same level as in the previous year. The extensive development plans that Spain and Greece have adopted should offer additional opportunities for sales of Canadian products.

Market Prospects

Continued expansion in Canadian export sales to the Western European

countries will depend upon a growth in demand in these markets for the products that Canadian producers can supply on the basis of the increasing diversity of Canadian manufactured

goods, in addition to traditional exports of foodstuffs and industrial raw materials. A reduction of trade barriers through the so-called Kennedy Round negotiations would also sub-

stantially improve the terms of access for Canadian exports to Western European countries, all of which are participating in these negotiations in Geneva. ●

The Common Market Moves Forward

Last few months have seen the EEC taking important decisions and carrying on negotiations for associate status with several countries. A number of contentious points remain unsettled.

DAVID A. HILTON,

First Secretary, Mission of Canada to the European Communities, Brussels.

THE European Economic Community in the past year has passed through its most difficult trial since its inception in 1958. For seven months—from July 1965 to the end of January this year—progress was brought close to a standstill as the French withdrew from their participation in virtually all of the Community's decision-making committees, including the Council of Ministers. A compromise between France and its partners brought the Six together again early this year. In the following weeks, Brussels has been the scene of a series of Ministerial meetings trying to find an acceptable solution to a number of major outstanding problems.

In May the first important decisions were taken. The Six agreed on a method of financing the Common Agricultural Policy of the Community to take full effect by July 1967. As the financing regulations were the point at issue when negotiations broke down in 1965, the importance of the agreement is evident. In addition a detailed time-table for implementation of the Common Agricultural Policy was agreed upon. To obtain agreement on common prices and the or-

ganization of markets in the outstanding items will be difficult, but a start has already been made and some progress achieved.

The decisions on agriculture may not necessarily clear the log-jam of problems facing the Six. In the confrontation between France and its partners last year, it became apparent that there are basic unanswered questions about differing concepts on the future development of the EEC. The French have strong reservations about letting control of economic decisions, which they contend remain the responsibility of national governments, pass to the executive institution of the EEC, its multi-national Commission. At Luxembourg the French bargained for restrictive controls on the Commission's role and a curbing of the right of the Council to take decisions by majority voting.

Interim Commission Appointed

A framework for the future compartment or "style" of the Commission was agreed to but this will be put into practice only after a new 14-man Commission, unifying the executives of the three European Communities (the EEC, Euratom and the Coal and

Steel Community) is appointed later this year. This commission will be an interim body, because the partners have already agreed to merge the three organizations into one within three years and to reduce the executive commission to nine. In the meantime the six governments have held a number of talks outside the framework of the EEC Council on the makeup of the 14-man body. Although there is still some disagreement over personalities and the advisability of rotating the presidency on a regular basis, the new executive should be installed within the next few months.

Decisions by Majority

The other contentious point to emerge from last year's crisis was the right to take decisions by majority rule. Here France and its partners are still apart in their views. On January 1 of this year the EEC passed into the third stage of its transition period. The Treaty of Rome provides that the great range of Council decisions could henceforth be adopted by weighted majority. Faced with the realization that a member of the Community could fail to recognize or implement a decision of the Council not taken unanimously, the Six have tried to work out a suitable compromise. They agreed at Luxembourg that on all points, whenever an important interest of one of the partners is at stake, the Council should endeavour to find a solution "within a

1966 and EEC Economic Progress

AFTER a slight downturn in the early months of 1965, the rate of expansion in the EEC began to rise late in the year. First reports for this year indicate that the EEC should achieve an increase in gross national product of 4.5 per cent this year, somewhat higher than last year's 4 per cent. The countries which felt the slowdown of 1964 and 1965 most directly, Italy and France, should lead the recovery. Germany, facing a fall-off in investment and a shortage in supply, is expected to drop slightly from a 5 per cent increase in GNP last year to 4 per cent this year.

The increase in output should be sustained by an expansion in demand both internally and in world markets. Overall production should rise by 6 per cent

and this should mean an appreciable increase in imports from third countries, with the pace quickening towards the end of the year.

This favourable prospect should contribute to lower unemployment in France and Italy and although the labour market will remain tight in West Germany and the Netherlands, it will not limit output seriously.

This predicted upswing may put some pressure on the Community's trade balance but it is not expected to affect seriously the over-all balance of payments.

All in all, supply and demand should be in better balance this year, although there is still considerable evidence of an upward pressure on prices throughout

the Community. The Netherlands and West Germany are facing an excess demand situation which will probably persist through 1966. To curb inflationary tendencies, the EEC Commission has asked member states to keep a tight control on budgetary spending and, if necessary, exert direct control on areas where price rises might get out of hand. Belgium particularly is in a tight fiscal situation and could face strong inflationary pressure this year if it has difficulty in financing an expected budgetary deficit.

The prospects for 1966 appear excellent and the EEC is confident it can sustain its remarkable past record of growth—not only this year but also in the medium term. ●

reasonable time" that would allow the decision to be taken unanimously. It is recognized, however, that the French consider all discussions should continue until unanimous agreement is obtained and it is unlikely that the Treaty provisions will be tested for some time.

Kennedy Round

The dispute between France and its partners last year delayed the preparation of the Community's negotiating positions for the tariff conference now under way in Geneva and best known as the Kennedy Round. Before a full offer can be tabled in Geneva by the EEC Commission, which is negotiating on behalf of the Six, a number of internal decisions must be taken. These relate primarily to agriculture and depend on the completion of the Common Agricultural Policy. In the cereals sector, where the Community took the decision on common prices in 1964, negotiations have been stalled while the Commission sought further instructions from the Council on its Kennedy Round offer.

The EEC has still not explained its position in certain industrial sectors also. Its negotiating partners in Geneva have had to wait for internal EEC decisions that would clarify the partial offers that were outlined at the time of the tabling of "exceptions

lists" (products not subject to a full 50 per cent tariff cut) in November 1964. In this category come a number of products of trade interest to Canada, including aluminum, ferro-alloys and pulp and paper. Since the first of this year the Six have been working on instructions for the Commission. Assurances have been given that the EEC will be ready to participate fully in negotiations as soon as possible. The EEC has recognized that with the United States Trade Expansion Act due to expire in July 1967, parties to the negotiation should be ready to enter into full participation within the near future if time-tables are to be respected.

Customs Union

A further 10 per cent cut in internal tariffs came into force automatically on January 1, 1966. Internal duties on industrial products are now at 20 per cent of their 1957 levels. The cut also applies to agricultural products not subject to common market organization and on these items the present intra-Community tariff is 35 to 40 per cent of the pre-EEC rates. The remaining tariff can be removed only by Council decision before the end of the transition period, December 31, 1969. At the time of the agreement on the agricultural financing regulations on May 10, the Council decided to remove the final

internal tariffs in two stages. A cut of 5 per cent will take place July 1, 1967, and the remaining 15 per cent will disappear a year later on July 1, 1968.

The completion of internal free trade will also bring into being the application of the Community's common external duty. National tariffs have already made a 60 per cent alignment towards the common rate. In approximating national tariffs, member states since 1961 have been using a base CET rate that was a provisional 20 per cent lower than the posted duty. The authority to continue this provisional 20 per cent cut (which had been set in anticipation of further tariff reductions arising from the Kennedy Round) expired at the end of 1965 and to bring tariffs into alignment with Council decisions there will be a slight upward adjustment of tariffs on a number of products on July 1, 1966.

This tariff change will affect primarily imports into Germany and the Benelux nations. The average rise in duties will be less than 1.5 per cent. Commission tariff experts are still deciding on the tariff headings that will be affected.

External Relations

By June of last year the Commission had virtually completed its negotiation of an Association Agreement

with Nigeria, but the drafting of an agreement was delayed by the absence of the French from the Council. The matter was picked up early in 1966 and in May an agreement was signed between the Nigerians and the Commission which provides for the treatment of Nigerian exports to the EEC on the same basis as internal Community trade. In exchange for this, the Nigerians will give preferential entry to a specified list of commodities of trade interest to the EEC. The agreement, which runs until the end of 1969, now goes to the Council for approval and subsequently will need to be ratified by the member states. The association with Nigeria marks an important step in the widening of the Community's economic relationship with Africa. For the first time the EEC has entered into a special trade relationship with a member of the Commonwealth, and in population and output Nigeria alone is larger than the 18 associated states that are signatories of the Yaounde Convention.

Because the Commission's negotiating mandate was sufficiently wide for it to continue meeting without the need for further instructions to Council, the year-old negotiation with

Austria continued through the latter part of 1965. A series of meetings have been held and the first phase of the negotiation has now been concluded. The Commission is drawing up a report for Council that will include recommendations for a further mandate. This negotiation is also significant because Austria is a member of the EFTA group and as the negotiations with the EEC come to a head, there will probably have to be a decision whether its membership in the seven-country free trade group can be compatibly retained with its obligations as an Associate of the EEC. If in the end Austria has to choose between one group or the other, its decision will have a profound effect on the future relationship between the two European economic organizations.

In 1965 the Community opened negotiations with Tunisia and Morocco and signed a three-year trade agreement with Lebanon.

Economic Affairs

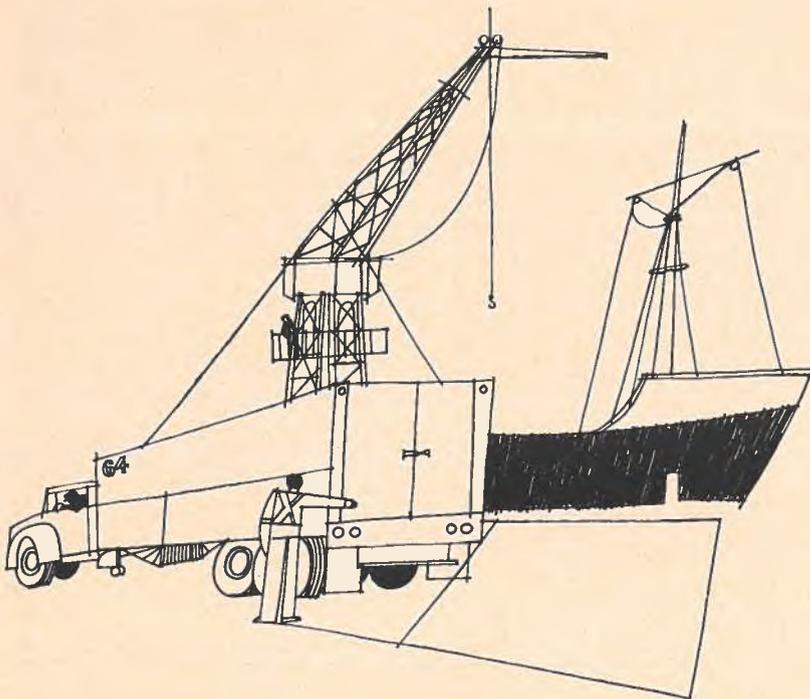
Although the focal point of Community business remains the organization of the Common Market, members are still exploring the economic aspects of this union. The Commission is continuing to exert its

influence for the promotion of coordinated policies and has paid particular attention to short-term problems. In April 1964 the Council recommended to its members on the basis of Commission proposals a stabilization policy for the Community. Since then, the Commission has commented on the application of these proposals in the different countries and emphasized the need for member governments to curb their deficit financing during an inflationary period. The Commission has also made its first regional policy proposals: these outline a common approach to the development of southern Italy.

In May of this year the Community's Medium Term Economic Committee completed its first report for the period 1966 to 1970. This report, with additional comments and recommendations by the Commission, will now go to Council for consideration. The Commission has also proposed for the first time special measures for particular sectors of the EEC economy and has tabled a program to aid the shipbuilding industry, released a study on the textile industry, and made recommendations for the adjustment of the Italian sulphur industry.

Progress Is Appreciable

The rate of progress in forming the Community has perhaps slowed down but it is still appreciable. There is enough evidence to indicate that the Six will reach the end of the transition period with their customs union completed and the groundwork laid for exploring the ways to complete their economic union. The success of their efforts to date can be measured to some degree by the ever increasing rate of exchange of goods between the partners of the EEC. The gradual formation of the six economies into one market is influencing the development of international trading arrangements and especially the policies of those countries that have a large vested interest in the market. The Community is the world's largest importer and its rate of imports of both agricultural and industrial goods has risen strongly since its formation. It is also Canada's third largest market and its development is important to the Canadian exporter. ●



Austria Appraises Its Economic Advance

H. K. ROTT,
Commercial Assistant, Vienna.

FOREIGNERS revisiting Austria after an interval of some years are impressed by the obvious signs of growing prosperity, such as the increasing number of automobiles and the well-dressed people that crowd the streets of Vienna through the day and most of the night. With continued full employment (the number of job seekers in 1965 averaged 2.9 per cent of the labor force) many people have plenty of money and they spend it freely. In fact, economic analysts also deplore the low rate of saving and also the consequent inadequate investment activity.

Far from pulling even with the economies of Western Europe, Austria has tended in the recent past to lag behind the growth rates achieved primarily by the members of the highly dynamic Common Market. Consumers are spending more heavily now, chiefly on imports, a situation of which Austrian manufacturers are keenly aware. This is not considered serious because, in spite of the growing trade deficit, the gold and foreign

exchange reserves continue to be reasonably large.

Last year was a rather disappointing one for the Austrian economy. The gross national product totalled Can. \$9.96 billion, a 7.9 per cent increase over 1964. Making allowance for price increases, the real rate of growth was only 3 per cent, exactly half of that achieved in the preceding year and well below the average from 1960 to 1964. Last year's slowdown in economic growth resulted primarily from extremely bad weather in the spring and late summer. Agricultural production suffered a real setback and construction firms, faced with a substantial backlog of orders, could report little progress. Apart from this, demand for domestic products, even though expanding, fell short of expectations and retailers showed a distinct tendency to reduce inventories.

The average wage level rose by 10 per cent last year and the cost of living by 5 per cent. In spite of practically full employment, there appears to be no immediate danger of runaway inflation. There is, however, every indication that business profits declined. The result was that much-

needed capital investment—which, in the absence of a smoothly functioning capital market, has for years been financed out of undistributed earnings—was put off in many instances.

Problems to Be Faced

Austria will undoubtedly have to undertake soon the long-delayed process of streamlining its economy if it is to hold its own in the face of European economic integration. Take the nationalized industries, for example. At the end of the war there seemed to be every reason for the state to take over certain enterprises, although the motives of politicians for this move were rather varied. For years these primary industries (steel, coal, aluminum, etc.) expanded vigorously and largely stimulated the rest of the economy. Today, because of fundamental changes in the international supply and demand situation, a number of nationalized companies face a difficult future.

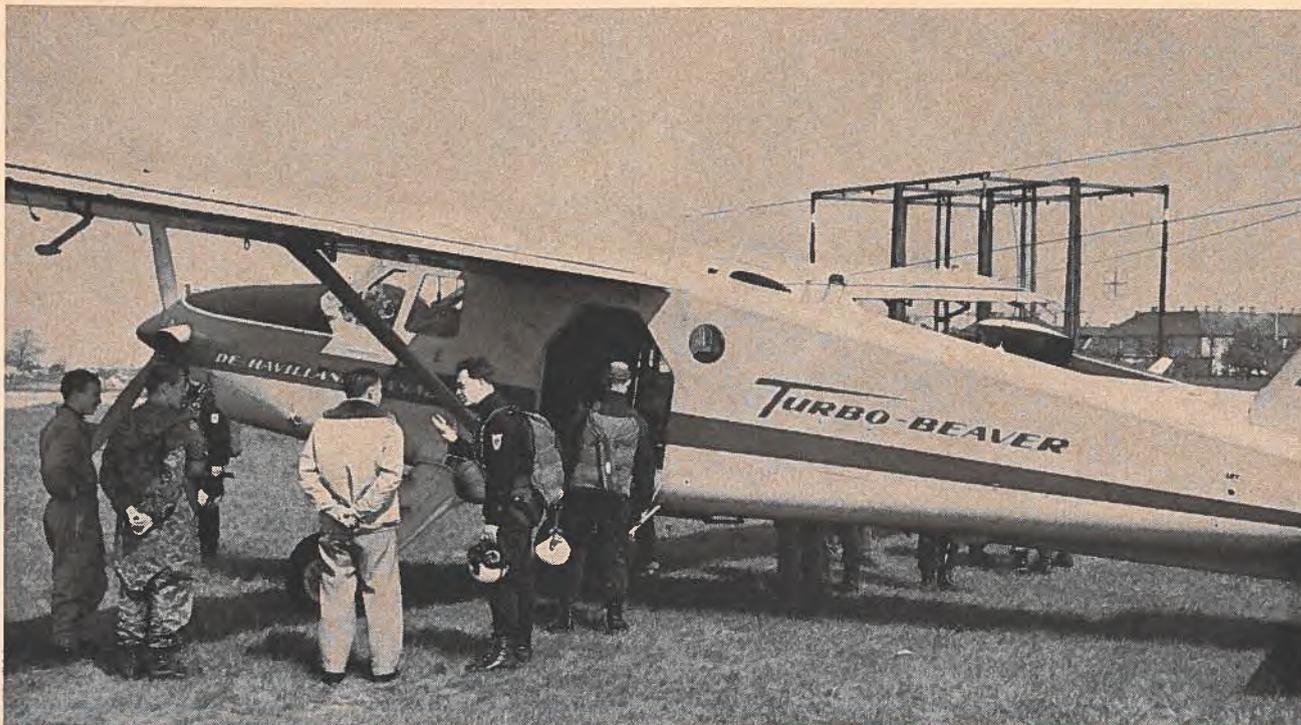
Other problems facing the Austrian Government are the state-owned railways, housing, and farm production; on each of these about Can.\$125 million is spent annually out of public funds. A gradual increase in railway fares (now much lower than in other parts of Western Europe), a step-by-step return to realistic rents, and the removal of farm price subsidies (some of which help the consumer rather than the producer) are advocated in some quarters. Measures of this nature seem needed not only to relieve the pressure on the federal budget but also to prepare Austria for association with the European Economic Community in which, because of the Treaty of Rome clauses or because of market conditions in general, most price distortions could not be retained.

Austria and the EEC

After five rounds of negotiations in Brussels it seems likely that Austria will sooner or later achieve its goal of

In 1965, Austria . . .

- Raised its gross national product to Can.\$9.96 billion, up 7.9 per cent over 1964 (3 per cent, allowing for price increases).
- Saw agricultural output decline because of bad weather in spring and late summer.
- Faced a 5 per cent rise in the cost of living; raised average wages by 10 per cent.
- Continued to negotiate for association with the European Economic Community.
- Raised imports 12.7 per cent to Can.\$2.28 billion, and exports by 10.6 per cent to Can.\$1.73 billion.
- Bought Can.\$9.86 million worth of Canadian goods, according to Canadian figures.



Parachutists of the Austrian Army board a DeHavilland Turbo-Beaver for a jump during manœuvres. This event took place during a four-day demonstration of this versatile aircraft before Austrian military officers and Ministry of Defence officials.

becoming an associated member. Its present membership in the European Free Trade Association, which has admittedly brought benefits to all member countries, cannot be considered a substitute for an arrangement with the Common Market because the latter contains Austria's major customers and suppliers. Imports from the EEC are flooding the Austrian market and Austrian exports to these countries are hampered more and more by the existing tariff discrimination. EFTA countries have reduced their rates of duty by 80 per cent (a fact that restricts Canadian exports of finished goods to Austria) but most Common Market goods can be sold here successfully even though normal tariffs apply to them.

Association with the EEC is expected to provide Austria with a larger market and the stiff competition the country will face is considered a necessary stimulant for Austrian enterprises. To survive, they will have to increase their efficiency. The long-term benefit should be continued economic expansion, but failure to join EEC raises the spectre of stagnation and decline. Although they are bending

every effort to come to terms with the Common Market, Austrian officials also remain receptive to the idea of a gradual world-wide removal of impediments to trade.

Imports, Exports Rise

In 1965 Austria's foreign trade expanded somewhat faster than the gross national product. Imports from all sources totalled Can.\$2.28 billion—up 12.7 per cent from the preceding year. Exports, however, rose by only 10.6 per cent to Can.\$1.73 billion. That imports exceed exports by an appreciable margin is the traditional pattern of the Austrian economy but the larger gap between the two resulted primarily from the need for more substantial imports of agricultural products and from greater demand for foreign-made consumer and capital goods. A portion of the increase (between 2 and 3 per cent), both in exports and imports, resulted from higher prices. Austria's weak position vis-à-vis Common Market countries is demonstrated by the fact that imports from that area rose by 13.5 per cent but exports to it by only 8.6 per cent.

West Germany's share of the Austrian import market amounted to 41.8 per cent against 41.7 per cent in 1964. Italy, which supplied 8.3 per cent of Austrian imports in 1965, was equally successful in increasing its sales. So were Switzerland and Britain. On the other hand, shipments from the United States and France declined. Among 150 countries of origin listed in Austrian import statistics, Canada was in 17th place in 1965 as against 19th in the preceding year.

Austrian exports to West Germany and the United States rose both absolutely and relatively, but those to Italy, Switzerland and the Soviet Union declined. Although sales to Canada increased according to Austrian statistics, we dropped from 22nd to 24th place among Austria's markets.

Earnings from Tourists

The extent to which net receipts from foreign tourists (money spent by foreign guests in Austria, minus Austrian tourist expenditures abroad) have compensated for the deficit on commodity trade has declined steadily in recent years. In 1962, these net

earnings almost equalled the import surplus but last year only 84 per cent of the gap between imports and exports was closed by the net inflow of Can.\$454 million from tourism. The capital account section of the balance of payments was also in the red so that the net outflow of foreign exchange in 1965 reached about Can.\$83 million. With reserves of Can.\$1.3 billion in gold and foreign currency—an amount sufficient to pay

for six months' imports—the National Bank is not unduly worried.

Trade with Canada

Austria has been since the end of the war a small but regular customer of Canada's. The removal of import restrictions combined with growing awareness of Canada's ability to offer quality products at competitive prices justify the expectation of larger sales in the future. The gains, however, are

likely to be modest. Austria's traditional trading ties with its neighbours, its present membership in the EFTA, and the prospect of its association with the Common Market raise obstacles. In addition, the small population (about seven million) and the still relatively low per capita income are factors to be reckoned with.

Direct shipments to Austria (reflected in DBS statistics) totalled Can.\$9.86 million in 1965—an increase of 15.4 per cent over 1964 and the highest since the Vienna office was opened in 1957. If indirect sales (Austrian purchases of Canadian merchandise in, say, Britain or West Germany) are added, total sales probably approach Can.\$13 million. Austrian import statistics, as a matter of fact, show Can.\$15.2 million, a figure which accounts for all imports of Canadian origin (whether consigned to Austria from Canadian ports or not and inclusive of transportation charges to the Austrian border).

Nickel products are coming to Austria increasingly through England. Similarly synthetic rubber, in previous years a direct export from Canada, is now shipped exclusively from the European plants of the Canadian producer. Canadian furs come from West Germany, as do sizable quantities of Canadian consumer goods imported by West German representatives or distributors for Canadian manufacturers.

Wheat (Can.\$3.27 million in 1965) did well in 1965 largely because of the poor crop in Austria last summer. Sales this year should be as good. Canadian asbestos (Can.\$3.1 million) is highly regarded here and holds the major share of the market.

Promising Prospects

Apart from agricultural products and raw materials, there is every reason to hope for larger sales of such products as wood pulp, canned fisheries products, winter sports goods, vinyl fabrics, certain types of scientific equipment, cars, automotive accessories, office machinery and seeds, which have been introduced into this market and should continue to do well.

The Commercial Division of the Canadian Embassy, Vienna, invites inquiries about opportunities for these and other Canadian-made products. ●

TABLE I
WHAT CANADA SELLS TO AUSTRIA

| | 1962 | 1963 | 1964 | 1965 |
|--|--------------|--------------|--------------|--------------|
| | (Can.\$'000) | | | |
| Wheat | 2,548 | 1,661 | 1,869 | 3,237 |
| Asbestos, milled and fibres | 1,938 | 1,693 | 2,050 | 3,005 |
| Nickel in oxide | 80 | 204 | 213 | 471 |
| Metal concentrates | 266 | 216 | 166 | 432 |
| Computers and parts | 209 | 118 | 184 | 155 |
| Sardines, canned | 11 | 62 | 139 | 128 |
| Asbestos shorts | 137 | 280 | 380 | 127 |
| Plastic and synthetic rubber | 508 | 551 | 482 | 124 |
| Wood pulp | 74 | 223 | 323 | 115 |
| Ice skates | 59 | 80 | 85 | 97 |
| Nickel anodes, cathodes | 490 | 908 | 769 | 53 |
| Sheet and strip steel n.e.s | 100 | 58 | 65 | 45 |
| Sheet and strip carbon steel | 290 | — | — | — |
| Copper scrap | 186 | 5 | — | — |
| Milk powder, skim | 84 | 125 | — | — |
| Total, these products | 6,980 | 6,254 | 6,725 | 7,989 |
| Total exports, including all others | 7,315 | 6,826 | 7,474 | 9,856 |

Source: DBS statistics

TABLE II
WHAT CANADA BUYS FROM AUSTRIA

| | 1962 | 1963 | 1964 | 1965 |
|--|--------------|--------------|--------------|---------------|
| | (Can.\$'000) | | | |
| Embroidered fabrics | 876 | 633 | 779 | 709 |
| Floor plate, carbon steel | 12 | 55 | 349 | 554 |
| Skis | 363 | 477 | 392 | 542 |
| Motor vehicle engines | 312 | 750 | 559 | 393 |
| Precious stones (not mounted) | 398 | 270 | 332 | 306 |
| Bars, alloy steel, hot rolled | 51 | 138 | 101 | 296 |
| Footwear, n.o.p. | 155 | 191 | 295 | 285 |
| Magnesia, dead burned or sintered | 141 | 73 | — | 259 |
| Lathes, metalworking and parts | 78 | 90 | 174 | 208 |
| Ball bearings | 186 | 96 | 133 | 207 |
| Broadwoven fabrics, cotton | 326 | 124 | 51 | 176 |
| Bars, carbon steel, hot rolled | — | — | — | 176 |
| Augers, bits, braces and hand drills | 73 | 73 | 116 | 171 |
| Paintings and pastels | 87 | 123 | 177 | 166 |
| Suits and dresses, knitted | 103 | 147 | 128 | 153 |
| Chain, (various) | 113 | 147 | 286 | 152 |
| Movie projectors | 213 | 209 | 197 | 131 |
| Jewellery | 157 | 141 | 116 | 124 |
| Overcoats and outdoor jackets | 78 | 104 | 136 | 123 |
| Total, these products | 3,722 | 3,841 | 4,321 | 5,131 |
| Total imports, including all others | 7,971 | 9,025 | 9,597 | 12,291 |

Source: DBS statistics

Canada's sales to this market are growing as

BLEU Expands Its Foreign Trade



Fishermen are shown repairing their nets on the docks of Ostend—Belgium's principal fishing port. The country's fishing operations range from shrimping along the North Sea beaches to trawling by large modern vessels off Iceland and in the South Atlantic.

DONALD M. HOLTON, *Commercial Counsellor, Brussels.*

DURING 1965, a year in which the Belgo-Luxembourg Economic Union (popularly known as the BLEU) enjoyed for the first time in 14 years a favourable balance of trade with the world, Canada considerably improved its trading position with these countries. Our sales to the BLEU increased 27 per cent over 1964, rising from \$100.5 million to \$128.0 million—and this in a year when the BLEU had succeeded in slowing down the expansion of overall imports to 7.6 per cent, compared with 15.9 per cent in 1964. Imports into Canada from the BLEU also rose—from \$59.2 million to \$72.0 million, or 22 per cent.

Even more impressive than the increase in Canadian exports to BLEU in 1965 is their rise in the last seven years from \$56.2 million to \$128.0 million, or more than 125 per cent. In the same period, Canadian imports from BLEU increased from \$45 million to \$72 million, or approximately 60 per cent.

Pattern of Foreign Trade

The Belgo-Luxembourg Economic Union covers a relatively small area of Europe, especially when compared with its larger neighbours, France and the Federal Republic of Germany. It is, however, more densely populated, with approximately 10 million people. It is highly industrialized and heavily dependent on foreign trade to maintain its comparatively high standard of living. A large proportion of industrial production is exported and because the country has few natural resources other than coal and limited quantities of iron ore, most raw and further manufactured materials for industrial consumption are imported.

Output of agricultural and fisheries products is not sufficient in certain sectors to meet the demand, resulting in substantial food imports. A highly sophisticated trading unit, the BLEU

accepts the challenge of competition from abroad and welcomes consumer goods, particularly specialties, from around the world. But standards of quality and of trading performance are high and price the supreme consideration.

Of the trade of the BLEU in 1965 totalling \$13,864.4 million, almost half, or \$6,927.8 million, represented imports, with 54.5 per cent coming from other members of the European Economic Community, 13 per cent from the members of the European Free Trade Area, 2 per cent from other Western European countries, 1.9 per cent from Eastern European countries including the U.S.S.R., and 28.6 per cent from all others, including 8.6 per cent from the United States, 1.6 per cent from Australia, and 1.5 per cent from Canada. Although 1.5 per cent may sound small, exports from Canada in 1965 amounted to \$128 million, making the BLEU Canada's seventh most important foreign market last year, after the United States, Britain, Japan, the U.S.S.R., West Germany and Australia, in that order.

Effect of EEC Integration

With the coming into effect in 1958 of the European Economic Community, the foreign trade of the Belgo-Luxembourg Economic Union expanded rapidly. The annual rate of growth over the period 1958 to 1965 averaged 10.7 per cent compared with only 5.6 per cent over the previous five years. During the same period, the average annual growth in world trade was 8 per cent, and in the foreign trade of the industrialized countries, 9.1 per cent. Of the BLEU's total exports to all countries, those to the other members of the European Economic Community constituted 45 per cent in 1958 and 61 per cent in 1965, and of over-all imports, those from the other members of the European Economic Community increased from 47 per cent of the total in 1958 to 54.5 per cent in 1965.

Following full implementation of the Common Market, recently re-scheduled for July 1, 1968, it is expected that trade among members resulting from the abolition of internal tariffs will not increase as rapidly. However, it is expected also that the redistribution of production factors

into larger economic areas and the resulting specialization and rationalization of production and distribution will improve competitiveness and lead to more extensive international trade. Certainly, from the standpoint of the dollar value of Canada's trade with the BLEU, integration of the European Economic Community to date has proved anything but restrictive. Although as a result of integration the pattern of that trade may be changing, both exports and imports are showing healthy gains.

Canada—BLEU Trade

The impressive growth in Canada's trade with the BLEU mentioned earlier resulted from larger exports and imports of a wide variety of products. Our exports to the BLEU for the

TABLE I
CANADA'S CHIEF EXPORTS TO BLEU

| | 1964 | 1965 |
|---|--------------|--------|
| | (Can.\$'000) | |
| Wheat | 23,202 | 36,899 |
| Lead and zinc | 22,580 | 32,232 |
| Asbestos | 6,414 | 7,067 |
| Vehicles, engines and parts | 2,721 | 6,229 |
| Lumber, pulp and paper | 6,418 | 4,954 |
| Iron ore | 2,381 | 4,616 |
| Silver | 1,723 | 3,766 |
| Copper and brass | 2,055 | 3,192 |
| Aluminum | 2,084 | 2,622 |
| Fish | 2,925 | 2,489 |
| Seeds | 1,663 | 2,144 |
| Dairy products | 6,033 | 1,984 |
| Nickel | 1,793 | 1,844 |
| Aircraft and engines | 2,409 | 1,806 |
| Other non-metallic minerals | 1,524 | 1,760 |
| Chemicals and plastics | 1,543 | 1,416 |
| Biological, pharmaceutical and medical products | 1,152 | 1,409 |
| Industrial machinery and equipment | 2,779 | 1,234 |
| Whisky | 1,095 | 1,149 |
| Electric and electronic equipment | 514 | 941 |
| Plastic and synthetic rubber | 827 | 887 |
| Textiles and clothing | 695 | 623 |
| Meat | 409 | 515 |
| Other cereals | 498 | 476 |
| Hides, skins and furs | 897 | 408 |
| Vessels, marine engines and parts | 348 | 349 |
| Office equipment | 874 | 315 |
| Wheat flour | 363 | 294 |
| Iron, steel and alloys | 497 | 225 |
| Tobacco | 328 | 193 |

years 1964 and 1965 by 30 main statistical groups in order of magnitude are shown in Table I.

A review of Table I reveals a number of significant changes in our trade with BLEU, with some commodities making gains and others losing ground. Among the gains were:

- Sales of wheat increased by \$13.6 million.
- Exports of lead and zinc continued to climb and increased by \$9.6 million for the full year.
- Shipments of vehicles, engines and parts (largely parts for assembly in Belgium) rose by \$3.5 million.
- Exports of iron ore rose by \$2.8 million, of silver by \$2.04 million, and of copper and brass by \$1.14 million.

A number of other products shared in the general increase in sales: among them were asbestos and aluminum; seeds; biological, pharmaceutical and medicinal products; electric and electronic equipment, and meat.

Decreases in sales were especially marked in:

- Dairy products, with sales down \$4.05 million, largely because of the virtual disappearance of the abnormal butter oil exports made during 1964.
- Lumber and pulp and paper. Exports of these forest products fell to the 1963 level, or by \$1.46 million, partly as a result of lack of offers because of increased demand elsewhere, particularly in North America.
- Traditional exports such as fish, aircraft and engines, chemicals and plastics, textiles and clothing, and wheat flour.

Declines were even greater proportionately in sales of industrial machinery and equipment, hides, skins, furs, office equipment, iron, steel and alloys, and tobacco. There were indications, however, that in many of these product groups, more could be done to offset the 1965 declines.

BLEU importers are always interested in offers of Canadian lumber, wood pulp and paper, and increasingly so in lumber from Eastern Canada,

fish, dairy and other food products, hides, skins and furs.

Economic Problems Appear

Throughout 1965 and thus far in 1966 the economy of the BLEU has been sustained by a twofold stimulus—an improved international trading position and the establishment and expansion of foreign-owned enterprises within its borders. This twofold development comes at a time when many of the BLEU's traditional industries are in difficulties. The coal mining industry is in the midst of a depression and has had to curtail production and employment once again, and the steel and textile industries have had to cope with adjustment and rationalization problems.

The year 1964 was an outstanding one for both Belgium and Luxembourg. The gross national product in real terms in Belgium rose by approximately 5 per cent and in Luxembourg by about 6 per cent. Almost all the other economic indicators, with the exception of the industrial indices for the textile industry and coal production, responded favourably. In the last quarter of that year, however, the rise in economic activity began to level off and throughout 1965 and 1966 to date the BLEU has experienced relative economic stagnation, although at a high level.

Despite the considerable rise in exports during 1965, the rate of growth of industrial production was lower than in 1964. Although the rate of increase in the real gross national product is estimated to have dropped as low as 3 per cent, this is regarded as no more than a cyclical slowdown and no widespread recession is anticipated. The added value of the national product is attributed 2.5 per cent to industry and 3.5 per cent to services. Trends varied widely among industrial sectors both because of the business cycle and of the structural changes taking place in the economy, whereby new and expanding activities are substituted progressively for older activities of declining importance. Both construction and agriculture were curtailed particularly, the former by credit restrictions and the latter by unfavourable weather.

Because domestic demand rose less rapidly, the greater production facilities were not fully utilized, generally

speaking. At the same time the labour market became less strained, but did not present serious problems of unemployment. Workers released because of changes and rationalization in industry were readily re-employed by new and expanding enterprises. The rate of rise in gross average hourly earnings, largely because of the link between wages and the retail price index, continued and, taking into account the increased social security charges borne by employers, it reached 11.2 per cent, considerably exceeding the increase in productivity.

The easing of the strains resulting from the 1964 boom is more clearly reflected in the relative stability of wholesale prices for finished industrial products. In agricultural products, however, the rise has continued, affecting retail food prices which went up faster than in 1964. Although the rise in the price of non-food products, and more particularly in the cost of services, slowed down, the retail price index went up 4.1 per cent in 1965, the same as in the previous year.

Combatting Inflation

Counter-inflationary measures taken by the National Bank in 1964 remained in force during the first half of 1965. From January on, however, the terms for discounting were eased in favour of those branches of activity experiencing particular difficulties. From April 15 on, moreover, banks were permitted to calculate the increase in loans within the limits recommended by the National Bank by eliminating those intended to finance investment or to replace dollar credits granted by U.S. banks.

Effective July 1, the National Bank suspended the provisions for restricting credit. However, the principle of moderation in lending was maintained and in particular the banks were asked to avoid rapid expansion in their financing of real estate transactions and consumer credit. They were also asked to watch any tendency in certain enterprises to contract excessive financial commitments. They were also reminded of the need to ensure their own liquidity.

The state of public finances deteriorated sharply during 1965, entailing considerable inflation of the public debt. This increase was, however, confined to the domestic market.

With allowance for unidentified transactions, the over-all surplus on the balance of payments rose from the equivalent of \$104 million to \$156 million. The surplus on current transactions and on the movement of corporate and private capital funds to and from foreign countries was one of the principal sources of money creation.

Of the factors peculiar to the economy of the BLEU, none appears likely to affect substantially Canadian exports in 1966. In fact, Canadian sales to the BLEU should go on rising, although at a slower pace than in 1964 and 1965. The continuing improvement in the standard of living and ever-increasing interest in greater comfort should open new opportunities to Canadians. Using ingenuity and drive, Canadian industry should continue to share increasingly in this growing market.



Trading Blocs

DURING a speech to the Pacific Northwest Trade Association in Vancouver on April 18, the Minister of Trade and Commerce referred to the establishment of trading blocs like the EEC, the EFTA, the LAFTA, the free trade arrangement between New Zealand and Australia, the eventual British accession to the European Economic Community, and the trade needs of developing countries, and emphasized the changing character of trade rules.

Mr. Winters said: "The rules have, in fact, evolved to accommodate the requirements of a changing trading community, and this process will continue . . . But the fact is that there are now recognized rules for world trading countries to govern themselves, whereas before the establishment of GATT there were almost none. . . . The multilateral trading world, even if far from perfect, has served Canada well and I would advise caution and circumspection when considering plans to seek narrower and more restrictive arrangements . . . For the present, we should make every effort to maximize the success of the Kennedy Round negotiations in Geneva . . . For Canada, a successful Kennedy Round will mean not only export growth through improved access, but also the gains in efficiency that come from longer production runs and wider market assurance." ●

Denmark Ponders Trade Policy

K. NYENHUIS,
Commercial Counsellor, Copenhagen.

THE DANES have complete faith in the excellence of the products of their agriculture and manufacturing industries. This confidence is shared by customers in many foreign markets and this may account for the steadily increasing Danish exports.

This small country of 4.7 million inhabitants lacks practically all raw materials for its manufacturing industries and must import these. Although the volume and value of exports can be considered high, they do not cover the cost of imports of raw materials and manufactured goods. The resulting trade deficits are large. Fortunately, Danish shipping and other transportation services, the tourist trade, and numerous other activities are large earners of foreign exchange and usually make up for these deficits.

Denmark has enjoyed a long period of boom, accompanied by the seemingly inevitable inflation; the Government has endeavoured to curb this by fiscal measures, restrictions on credit, and high interest rates. These have worked out well in general, although some Danes are becoming anxious about increasing unemployment. At the same time, a number of industries have experienced a shortage of skilled labour and technicians.

Denmark's persistent worries stem mainly from its dependence on the two important export markets for its agricultural products—Britain and West Germany. The first is a member of EFTA and the second of the EEC. Denmark, which is in EFTA, requires free access to both economic groups and is leaving no stone unturned to achieve this objective.

Economic Position

The gross national product, which amounted to Can. \$9.2 billion (58,856 million D.Kr.) in 1963, rose to

Can. \$10.6 billion (67,918 million D.Kr.) in 1964 and to Can. \$11.8 billion (75,700 million D.Kr.) in 1965. The year-end deficit on foreign trade and payments totalled Can. \$173 million (1,113 million D.Kr.). The cost of living rose by over 7 per cent in 1965—the largest increase in Western Europe.

New construction starts in 1965 were 0.8 per cent less than in 1964, when they increased 43.6 per cent over 1963. Although no final figures are available, the estimate is that investment in industrial buildings, projects, machines, and means of transport increased about 15 per cent over 1964, half of it because of higher costs.

This small country has taken a number of measures to stimulate industry and exports and to achieve one of the highest standards of living in Europe. A number of these measures are described below.

Trade Fund Set Up

Denmark's Trade Fund was established by Act No. 145 of April 21, 1965, with the aim of fostering exports and promoting productivity in industry. It is administered by the Minister of Commerce.

Under the terms of the Fund, an Export Credit Council grants financial guarantees to exporters. The Council is composed of representatives of various Ministries, the National Bank of Denmark, the Board of Danish Banks, and various industrial, commercial, agricultural, fisheries, and labour organizations. Guarantees up to a total of 3 billion D.Kr. (\$500 million) may be granted, and the Council is now considering increasing this to 4 billion D.Kr.

The Fund also covers expenses incurred in posting trade representatives abroad and provides them with loans for setting up their own businesses abroad at the end of their foreign service. Of great importance is the

support that the Fund gives to organizing exhibitions abroad, arranging general publicity for Danish exports, and collective measures for export promotion.

Trade Practices

● *Quantitative Import Restrictions*—Denmark subjects imports of certain commodities to import licensing. By December 31, 1966, however, imports of industrial products will become free of restrictions. A few agricultural products will remain under import control and some will be entirely restricted. Wheat and rye imports depend on milling regulations applying to domestic wheat and rye.

● *Agricultural Subsidies*—Among the agricultural subsidies in the 1965-66 harvest year were:

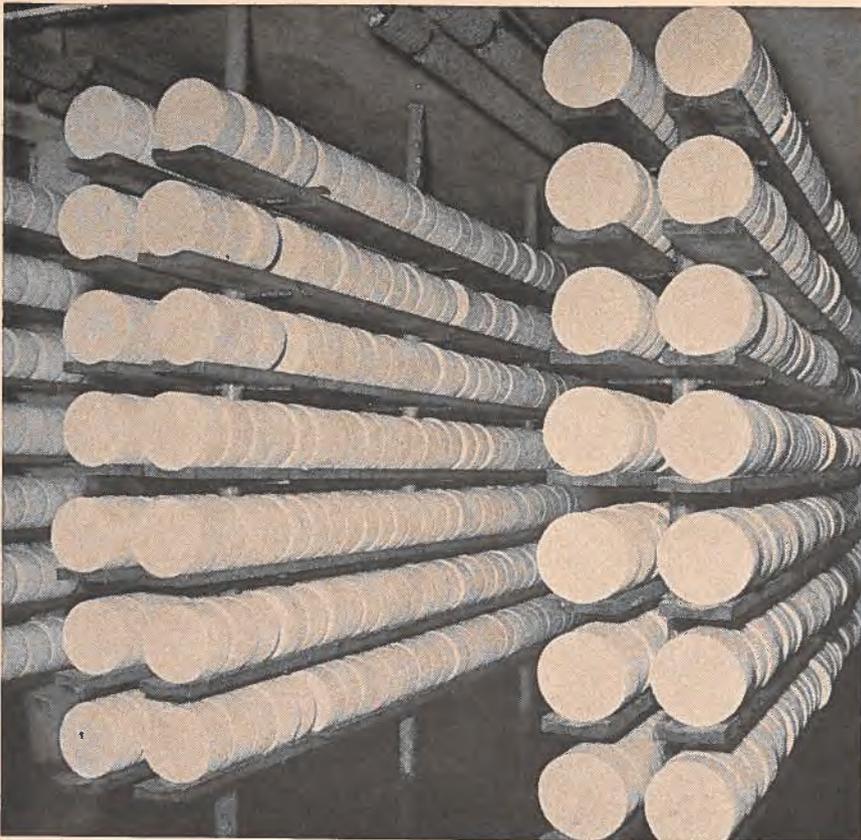
| | (in millions) |
|---|------------------|
| Bread grain support | D.Kr. 40 (\$ 6) |
| Milk subsidy | D.Kr.150 (\$25) |
| Fertilizer subsidy | D.Kr. 50 (\$ 7) |
| Danish Dairy Association's rationalization program | D.Kr. 10 (\$1.5) |
| Promotion of sales of agricultural products in Denmark and abroad | D.Kr.100 (\$15) |

In addition, there are domestic marketing regulations for pork meat, beef, veal, poultry meat and eggs. Minimum domestic market prices are established for these products by the Monopoly Board, and a tax is levied on the quantities sold in the domestic market; the levies equal the difference between the domestic market price and the export price. The proceeds of the levies are pooled and shared proportionately among all producers.

There are no restrictive Customs administrative practices.

Taxes and Procurement

Act No. 74 of March 31, 1965, increased the general sales tax on most products, except foods, from 9 to 12.5 per cent, payable at the wholesale level. Replacement of this



Rows of famous Danish Blue cheeses are carefully matured in special rooms at a local factory. Cheese ranks high among the principal exports of Denmark to this country.

tax by a general sales tax of 10 per cent on all products and services at all trade levels is now being considered.

Tenders for major projects and defence purchases are normally open to foreign bidders.

Foreign Trade Reviewed

Imports into Denmark in 1965 rose 7.8 per cent over 1964 and totalled slightly over 19,417.3 million D.Kr. (Can.\$3 billion). (See Table I.) Imports from the EFTA countries went up 9.4 per cent last year to 6,556.7 million D.Kr. (Can.\$1.0 billion), and Danish imports from the EEC countries by 8.0 per cent to 6,907.7 million D.Kr. (Can.\$1.1 billion). Danish purchases from countries outside these two areas increased by 5.8 per cent to 5,952.9 million D.Kr. (Can. \$925.8 million).

Danish exports to EFTA countries in 1965 totalled 6,982.7 million D.Kr. (Can.\$1.1 billion), or 7.9 per cent

above 1964, and exports to the EEC countries rose by 6.5 per cent to 4,293.7 million D.Kr. (Can.\$667.8 million). Danish exports to countries outside EFTA and the EEC increased by 13.9 per cent to 4,425.2 million D.Kr. (Can. \$668.2 million).

These figures show that Danish exports to the EFTA countries continue to exceed its imports from them but Danish imports from the EEC considerably exceed its exports to that area.

Canada's Trade with Denmark

Canadian exports to Denmark in 1965 totalled 64.2 million D.Kr. (Can.\$10 million), or 14.4 per cent more than in 1964. The principal imports from Canada by commodity groups are given in Table II.

In 1965, Danish sales to Canada totalled 127.5 million D.Kr. (Can. \$19.8 million), or 30.2 per cent more than in 1964. The three principal groups of commodities exported to Canada were non-electrical machinery

TABLE I
DENMARK'S FOREIGN TRADE

| | Imports | Exports |
|------|---------------|---------------|
| | (in millions) | |
| 1963 | D.Kr.14,645.1 | D.Kr.12,946.8 |
| | \$2,250 | \$2,000 |
| 1964 | D.Kr.18,016.7 | D.Kr.14,385.0 |
| | \$2,800 | \$2,200 |
| 1965 | D.Kr.19,417.3 | D.Kr.15,701.6 |
| | \$3,000 | \$2,400 |

TABLE II
CANADIAN IMPORTS INTO DENMARK

| Commodity Group | 1964 | 1965 |
|--------------------------------------|-------------|--------|
| | (D.Kr.'000) | |
| Skimmed milk powder | 691 | 966 |
| Fish products | 2,034 | 2,212 |
| Grain and grain products | 4,445 | 1,274 |
| Tobacco | 415 | 3,554 |
| Hides and skins | 710 | 1,084 |
| Lumber | 855 | 1,245 |
| Raw minerals | 7,230 | 13,022 |
| Animal and vegetable raw materials | 1,992 | 4,395 |
| Chemical raw materials and compounds | 1,402 | 980 |
| Semi-manufactured plastics | 674 | 1,500 |
| Wood products | 87 | 1,072 |
| Textiles excluding wearing apparel | 1,371 | 1,673 |
| "Other" metals | 14,091 | 15,318 |
| Non-electrical machinery | 5,624 | 3,374 |
| Electrical machinery and apparatus | 729 | 1,840 |
| Means of transport (motor vehicles) | 1,883 | 2,719 |

(38.9 million D.Kr.), cheese (12.7 million D.Kr.), and furniture (11.5 million D.Kr.).

The major problems facing Canadian trade (and they can be overcome) are distance, the high Canadian prices, and the EFTA tariff reduction of 80 per cent in favour of EFTA members. From January 1, 1967, on, this tariff discrimination will increase by a further 20 per cent.

Canadian export trade with Denmark can best be built up by personal knowledge of the market, competitive prices, and adherence to business terms and practices generally acknowledged in international trade. The Commercial Division of the Canadian Embassy in Copenhagen is prepared to undertake initial market surveys for the Canadian exporter and to suggest ways and means of obtaining the widest distribution for his products. ●

Finland Plans to Diversify Industry

G. A. BROWNE,
Commercial Counsellor, Stockholm.

THE BUSINESS UPSWING which had steadily gained strength in 1964 meant that 1965 began on an optimistic note and the strong production figures at the beginning of the year promised sustained growth. Although certain financial aspects of the Finnish economy in early 1965 were beginning to cause concern, production statistics at the end of the first quarter were still so good that the outlook seemed as favourable as in the previous year. But as the year went on, it became apparent that the true situation was not quite so promising. The results for 1965 now confirm that the rate of growth in total production was smaller than in 1964. The most distinct and at the same time most significant changes of pace in the growth rate were seen in manufacturing, which expanded by less than 5 per cent, and in exports, up only 3 per cent from the previous year.

Although the demand for investment goods increased at roughly the same rate as total production, consumer demand in contrast increased at the rate of 6 per cent, rather higher than the rate of increase in the GNP. This difference was covered by a strong rise in imports. The balance of current transactions consequently showed an abnormal deficit and in the absence of foreign borrowing to cover it, the foreign exchange reserves were drawn down by almost 30 per cent.

Credit Tightened

By the spring of 1966 the sharp contraction in lending by financial institutions as the main check on demand had left the money market very tight, with a corresponding decrease in financing possibilities. This has resulted in a trend to lengthening terms of payment and somewhat cautious ordering by importers.

The basic cause of the by no means singular growth in consumer prices and credit stringency in Finland is,

according to the financial community, the combination of public expenditures and wage increases in excess of the expansion in production and productivity.

It is possible that this current dip below the curve of long-term growth may have a more than statistical significance in the immediate future. It seems unlikely, however, that in the Finnish economy, which imports proportionately as much as Canada, it will have any significant lasting effect.

From the point of view of domestic trade, 1965 was comparatively satisfactory, with increases in wholesale and retail trade of 10 to 11 per cent. Retail trade in particular showed a distinct improvement over 1964, with a heavy demand for consumer durables; consumer credit restrictions which appeared in the second quarter did have a slightly dampening effect.

Exports Up Last Year

Finland's exports in 1965 rose 10.5 per cent to total Can.\$1.52 billion; imports rose more than 9.3 per cent

Finland provides most of its grain supplies, as these fields in the central part of the country testify. Canada's exports consist mostly of raw materials for secondary industries.



to reach Can.\$1.76 billion. A significant part of the expansion was in consumer goods, including automobiles, and the resulting imbalance between exports and imports was, at the close of 1965, about Fmks 700 million. Sources of Finland's imports are shown in Table I.

The EFTA countries were collectively Finland's best market, buying Can.\$505 million worth of Finnish exports or 33 per cent of the total (Can.\$1,525 million).

This was 7 per cent over 1964 but less than the corresponding increase over 1963. Principal buyers of Finnish exports were Britain, the U.S.S.R., West Germany, Sweden, the Netherlands, the United States and France.

Finland's biggest foreign exchange earner continues to be the forest products industry—pulp, newsprint paper, sawn goods, plywood, kraft and board.

The engineering and metalworking industries, with exports often largely dependent on deliveries to the Soviet Union, are important and growing contributors to export income and in 1965 were climbing back up to the 1962 peak. Of Finland's imports, the EFTA group contributed 34.3 per cent, or Can.\$602 million. In this group, West Germany was the leading supplier, followed by the U.S.S.R., Britain and Sweden.

Of Finland's imports, the Eastern European Bloc supplied 18 per cent or Can.\$325 million and the principal source was the U.S.S.R. with the equivalent of Can.\$246 million.

With a labour surplus in Finland and a seasonal unemployment problem, particularly during mid and late winter, the Finns' interest in industrial diversification is correspondingly great. The February 1966 wage agreement which is to run for three years will probably result in a wage increase of about 20 per cent by the end of 1968 or earlier. The 40-hour five-day week will be given a trial this summer and is to come into general effect before 1970. These two developments have added to pressures for more intensive export promotion which the Finnish Government is studying.

Trade with Canada

Canada's exports to Finland in 1965 were valued at Can.\$4.8 million compared with Can.\$4.5 million in 1964. This slight increase in sales resulted chiefly from a small wheat shipment at the end of 1965, although the number of different classifications of goods exported also increased over the previous year. Chief items were seeds, dissolving wood pulp and unbleached sulphate pulp, papermakers' felts, phenols, polyethylene resins, plastic and synthetic rubber, aluminum ingot, copper bars, winches and hoists, chain saws, passenger automobiles, aircraft engines and parts, and card-punch computer equipment and parts. Principal Finnish commodities sold to Canada were cheese, granite, fur skins and furs, plywood and hardboard, rayons, chemicals, pig iron, steel castings, sheet glass, rock drills, veneer, plywood and woodworking

machinery, and quality fishing tackle and equipment.

The Finnish market is by no means inaccessible—it is only an hour by Finnair or SAS from Stockholm or overnight by comfortable boat—and many more Canadian sellers and buyers should visit it. There are many opportunities in Helsinki, Tampere, Lahti, Turku and Juvaskyla for Canadian importers and exporters and they are assured of a warm Finnish welcome.



Importance of U.S. and World Markets

DURING a speech to the Pacific Northwest Trade Association in Vancouver on April 18, the Minister of Trade and Commerce referred to the "removal of the U.S. restrictions on imports of lead and zinc, the enlarged U.S. import quotas for Canadian cheese, and the prospect of even larger allocations for the future."

Mr. Winters urged businessmen to "take full advantage of trade opportunities between us. But, we also have a great interest in trade throughout the world . . . It would be a mistake to concentrate on the one at the expense of the other. Both are essential.

"After the United States, our largest markets are Britain and the European Common Market. Then comes Japan, for whom Canada . . . is a major supplier of foodstuffs and raw materials. As a result of the Kennedy Round negotiations, access to the Japanese market will be further improved."

He also stressed the potentialities of markets in Continental Asia and cited as an example Canadian wheat moving through Vancouver ports to the Soviet Union and to Communist China.

"We in Canada believe that trade contacts should be developed and cultivated throughout the world," the Minister continued. "We are also convinced that it makes good sense to develop mutually advantageous trading connections, in peaceful goods, with all countries who will trade with us in good faith and can pay for our products.

"Latin America has not received a sufficient amount of export attention in Canada . . . We should expect over the next few years that Canadian exports to Latin America will show the results of Canadian initiative and commercial competence." ●

TABLE I
IMPORTS INTO FINLAND 1965

| | Total | EFTA | EEC | U.S. | Canada | Eastern Europe |
|------------------------------|---------------------------|--------------|--------------|------------|-----------|----------------|
| | (millions of Finn Marks)* | | | | | |
| Total | 5,266 | 1,806 | 1,624 | 324 | 26 | 954 |
| of which: | | | | | | |
| Food | 452 | 54 | 31 | 38 | 6 | 57 |
| Beverages and tobacco | 54 | 7 | 13 | 16 | .3 | 2 |
| Basic materials | 480 | 127 | 58 | 34 | 6 | 181 |
| Mineral fuels and lubricants | 510 | 26 | 21 | 5 | — | 416 |
| Oils and fats | 10 | 5 | 3 | .5 | — | — |
| Chemicals and manufactures | 537 | 215 | 216 | 42 | 2 | 47 |
| Manufactures | 1,082 | 456 | 419 | 29 | 4 | 118 |
| Machinery and transport | 1,822 | 795 | 760 | 143 | 8 | 81 |
| Miscellaneous manufactures | 278 | 117 | 103 | 18 | — | 15 |
| Other | 42 | 4 | 1 | — | — | 36 |

*Three F marks=one Canadian dollar.

French Market Has Big Potential

R. CAMPBELL SMITH,
Minister-Counsellor
(Economic/Commercial), Paris.

THE pace of the French economy has been quickening, after almost two years of government-imposed anti-inflationary measures. This spring it began to move toward a sustainable rate of growth in real terms. This will reach, according to official estimates, 5 per cent (1964, 3.5 per cent) for the whole of 1966, an improvement on the predictions made a few months ago. Imports are also expected to rise somewhat faster than in 1965. The outlook for 1967 is equally optimistic. The French Government clearly intends, however, to ensure that this expansion is achieved without inflation.

Since February, domestic production has been expanding at a good clip and this is expected to result in increased activity in heavy industry, the hardest hit during the economic "pause". The index of industrial production, excluding building, rose to 151 in the first quarter compared with 140 in the first three months of 1965, or up 7.5 per cent. Consumer prices are expected to rise by nearly 3 per cent in 1966 as against 2.5 per cent last year.

According to studies made by the Common Market Commission, France has the most promising outlook of the Six for the period 1965-1970. The expansion in GNP is expected to average over 4.8 per cent in this period in France, but in all of its four main partners is expected to decline.

Total imports reached a record high last year of about \$11,250 million; they were 97 per cent covered by exports, compared with only 89 per cent the year before.

Imports of manufactured goods (29.2 per cent of total), semi-manufactured products (21.0 per cent), and fuel, gas, coal (15.5) increased,



Paris department stores, like this one, could sell more Canadian consumer goods.

What to Sell in France

The Paris office of the Trade Commissioner Service has uncovered opportunities to sell the following Canadian products.

| | |
|--|------------------------------------|
| Frozen boneless beef and offals | Builders' hardware |
| Frozen veal | Chemical products |
| Frozen freshwater fish (pike) | Electronic components |
| Frozen sole fillets | Kitchen gadgets |
| Frozen scallops, preferably with roe in | Household appliances |
| Honey | Household linen |
| Holstein-Friesian livestock for breeding | Bathroom accessories |
| Eastern spruce lumber | Colonial furniture |
| Cedar shingles and shakes | Children's clothing and sportswear |
| Wood pulp | Fur goods |
| Newsprint | Toys and games |
| Kraft linerboard | Giftware |
| Decorative plywood | Handicrafts |
| Prefabricated houses and chalets | Novelties |
| | Fancy papers |

but those of food, beverages and tobacco declined by 17.3 and raw materials by 16.4 per cent.

France's main suppliers were West Germany (16.5 per cent), the United States (10.5), BLEU (8.3), Italy (7.0), Algeria (5.5), and Britain (5.0).

Canadian Performance Better

Canada ranks only 15th as a supplier to France, with exports amounting to \$87.3 million in 1965, compared with \$79.4 million in 1964. This represents barely 1.0 per cent of total French purchases abroad.

The following products registered the largest increases: harvesting equipment (\$5.9 million increase over 1964), wheat (\$3.3 million), pulpwood (\$2.2 million), hemlock (\$1.4 million), ores and concentrates (\$1.3 million), nickel anodes, cathodes, ingots, rods (\$1.2 million).

Exports which rose by more than half a million dollars in value included nickel in oxide, aluminum pigs and ingots, fresh and frozen beef and veal, fancy meats and edible offal, fresh and frozen. Other products with appreciable increases were spare parts for harvesting equipment, Douglas fir plywood, metalworking machinery, lead and lead alloy scrap and dross, iron and steel valves, converted papers, radioactive elements and isotopes, ranch mink skins, iron ore, sulphur, navigation instruments, and apparatus and freezers.

Fewer new products were introduced into the French market last year, however, than in 1963 and 1964. Instead, gains made in recent years by a wide variety of products were consolidated and helped to offset losses in traditional exports to this market, such as plastic and synthetic rubber (decrease of \$2.9 million), wood pulp (\$1.4 million), punch cards for computers (\$1.1 million), asbestos (\$1.0 million), alcohols and derivatives (\$700,000), salmon (\$600,000), and lead in ores and concentrates (\$600,000).

Franco-Canadian trade reached a peak last year but much remains to be done because many trade opportunities have not yet been seized. Surveys carried out in recent months by the Paris office revealed opportunities to sell the products shown in the accompanying box feature. Canadian initiative should do the rest. ●

Paris Offers a Showroom

CANADIAN FIRMS have almost completely overlooked the French market for consumer goods, both durable and non-durable, although this market has increased by \$850 million since 1961 and now totals \$1,400 million a year. Foreign-made consumer goods account for 12.6 per cent of all French imports. Canada's share is much too small if we consider what our industry has to offer to this country of 50 million people.

As Table I shows, the French standard of living has risen steadily since 1959. Furthermore, contrary to the past when they used to devote the larger share of their income to food, Frenchmen are now spending relatively more on consumer goods.

TABLE I

| | Percentage of French Families with Automobiles and Electrical Appliances | | | |
|-------------------------------------|--|------|------|------|
| | 1959 | 1963 | 1964 | 1965 |
| Automobiles | 28.4 | 37.3 | 41.7 | 45.2 |
| Radio sets | 81 | 85 | 84 | 83 |
| TV sets | 9 | 26 | 34 | 40 |
| Refrigerators | 20.5 | 40 | 46 | 52.3 |
| Washing machines | 20.5 | 31 | 34 | 38.3 |
| Vacuum-cleaners and floor polishers | 24 | 35 | 39 | 43 |
| Record players | — | — | 25 | 30 |

The fact that France, as a member of the Common Market, has been reducing its tariffs on imports from member countries should not deter Canadian firms from taking a closer look at this market. Other countries, such as the United States and Sweden, are now selling more consumer goods than a few years ago and duty rates applicable to their products are the same as those applied to ours.

An appreciable number of Canadian goods can meet foreign and local competition, but we will not get a larger share of this expanding market without an intensive effort. We know of many instances of Canadian companies which have lost orders by not showing more interest in their dealings with local firms. They could easily have avoided this either by sending a representative to Paris or by contacting potential agents or buyers with carefully prepared offers, c.i.f. French port, accompanied by samples and leaflets in the French language. Quality and prices being equal, Frenchmen prefer to buy Canadian. By capitalizing on the goodwill existing between the two countries, Canadian ex-



A collection of wooden tableware is featured in one of the sections of the Canadian sample showroom in Paris.

porters will see more of their products finding their way into French households.

To make it easier for Canadian businessmen to sell in France, a sample showroom, part of which is shown in the accompanying picture, has been set up in the Paris office. We have made it a point in recent months to renew or establish contacts with potential buyers—ranging from agents, department stores, chain stores, and central buying agencies to wholesalers and retailers. At the same time, we have completed studies on the potential market for a wide range of consumer goods.

Companies interested in using our display facilities need only let us know. If we have not already done so, we will do a special market survey for them. If the results are encouraging, we will require from the company only samples, price lists and leaflets. We will then arrange a display of its goods and invite French firms to come to see it. Potential buyers will be persuaded to pay a special call.

More Canadian businessmen visit France every year, but we would be pleased to welcome and assist an even larger number. Our sample showroom facilities are yours to use and all you need to do is to drop us a note. We will do the rest for you.

—GILLES MORIN,
Commercial Secretary, Paris.

Greece Continues Economic Progress

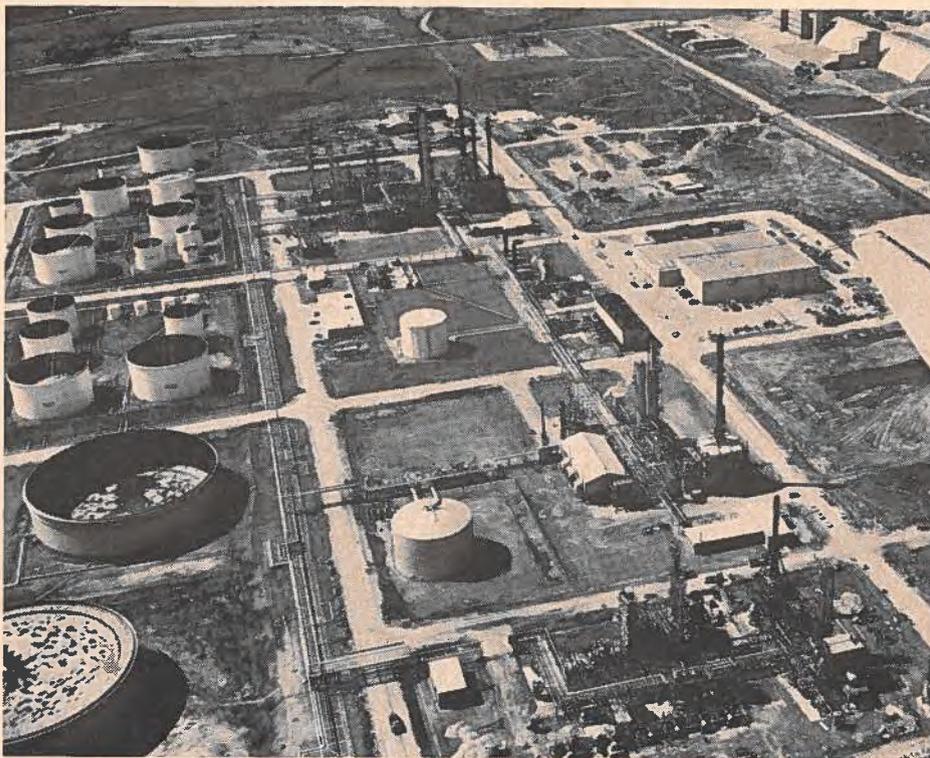
B. A. MACDONALD,
Commercial Counsellor, Athens.

GREECE, despite the political uncertainties that have prevailed for most of the past two years, has continued to progress economically. The gross national product rose by 7.3 per cent in 1965 compared with an average of 7.1 per cent over the past five years. As a result, per capita income, at factor cost and 1958 prices, has risen from \$327 in 1960 to \$460 in 1965. The estimate for 1965 at current prices is \$545.

This rate of increase has been one of the highest in comparison with both the developed countries, such as the United States, France, Italy, and West Germany, and the developing countries, such as Portugal, Mexico, and Turkey.¹

The standard of living of the Greek people nevertheless remains among the lowest in Europe. In addition, the country and its government face some formidable problems which, if not solved or contained, may result in economic stagnation and even lead to serious social and political consequences.

Among these problems are growing pressure on prices and wages, evidence of excessive consumption, a widening trade deficit with its eroding effect on foreign exchange reserves, severe budgetary difficulties, and widespread strikes. Then there is the continuing large-scale emigration, which has reached such proportions that it is sometimes referred to as the national hemorrhage. Structural readjustments in the economy, especially



The Esso-Pappas industrial complex in the Salonica Plains was inaugurated on May 10 this year in the presence of His Majesty King Constantine. Shown here are the oil refinery, the ammonia and petrochemical plants, storage tanks and other installations.

in agriculture, are vitally needed, and there is serious congestion at Piraeus, the country's principal and only major port.

New Five Year Plan

These problems are recognized by the authorities. Most of them are long-term rather than short-term and they are being studied and efforts made to deal with them. The Planning and Research Center of the Ministry of Co-ordination has just completed a Five Year Plan (1966/70) intended to help cope with them. It is the first part of a longer 15-year plan designed to carry the country through to full membership in the European Economic Community.

The Governor of the Bank of Greece has warned, however, that a plan in itself is not sufficient and that all necessary sacrifices must be made to implement it. Some unpopular measures have already been taken, such as increased taxes, other imposts, and restrictions on state expenditures.

Money and Banking

Despite the pressures mentioned earlier, the Bank of Greece has been able to maintain to a remarkable degree not only the external value of the drachma but internal monetary stability as well.

The Bank was authorized to put into effect on December 23, 1965, a measure which it had long advocated:

¹ The Governor of the Bank of Greece has pointed out that, although increases in national and per capita income are the most convenient and internationally accepted indicators of economic progress, they are not necessarily identical, especially in developing countries, with the real economic situation. They may lead, in fact, to an inaccurate assessment of economic developments.

the abolition of the free gold market. As from that date, gold sovereigns may be purchased and sold only through the Bank or its authorized agents. This action has been successful. The public received it well, it has stopped the drain on the Central Bank's gold reserves, and it has contributed to commercial bank deposits and to domestic investment. An outstanding example was the success of the Drs.900 million bond issue of the Public Power Corporation, which was over-subscribed when it closed on March 31.

A feature of banking in the recent past has been the establishment of branches of several foreign banks (for example, the First National City Bank of New York and the INTRA Bank of Paris), and the participation of important U.S., British, and Western European banks in one or other of the Greek industrial development banks.

The Government's Hellenic Industrial Development Bank has increased its activity in bringing foreign risk capital into the country, and it has recently established several subsidiary companies for special purposes. Among these is the General Mineral Exploration and Mining Development Corporation S. A., intended to explore and to develop in all practical ways Greek mineral resources. A similar company, the Hellenic Overseas Fishing Corporation Ltd., has been established to assist in the development of Greek deepsea fishing and to reduce the large expenditures of foreign exchange on fish products.

The loan of \$12.5 million extended early this year by the Bank of Nova Scotia to Greece for a period of 15 years at 6 per cent a year has been commented upon widely and favourably.

Industrial Progress

Industrialization, a striking feature of the Greek economy during the past few years, passed a milestone on May 10 when the King inaugurated the first unit of the Esso-Pappas industrial complex near Salonika in Northern Greece. When completed next year, this large project, in which the Standard Oil Company of New Jersey is associated with the well-known Greek-American entrepreneur

TABLE I
FOREIGN TRADE OF GREECE

| | Imports | Exports | Trade Deficit |
|------|--------------------------|---------|---------------|
| | (U.S.\$ nearest million) | | |
| 1961 | 583 | 234 | 349 |
| 1962 | 660 | 243 | 417 |
| 1963 | 750 | 296 | 454 |
| 1964 | 881 | 309 | 573 |
| 1965 | 1,031 | 331 | 700 |

TABLE II
GREEK IMPORTS BY SOURCE

| | 1962 | 1963 | 1964 | 1965 |
|----------------------|--------------------------|------|------|------|
| | (U.S.\$ nearest million) | | | |
| United States | 97 | 139 | 162 | 199 |
| Common Market | 283 | 295 | 334 | 375 |
| Of which: | | | | |
| West Germany | 128 | 138 | 149 | 176 |
| Italy | 65 | 58 | 73 | 76 |
| France | 44 | 43 | 52 | 58 |
| Belgium- | | | | |
| Luxembourg | 26 | 30 | 36 | 37 |
| Netherlands | 20 | 26 | 28 | 28 |
| Britain | 63 | 83 | 107 | 117 |
| Soviet Bloc | 61 | 63 | 80 | 91 |
| Of which: | | | | |
| U.S.S.R. | 20 | 21 | 28 | 28 |
| Bulgaria | 5 | 6 | 11 | 17 |
| Czechoslovakia | 10 | 9 | 10 | 11 |
| Poland | 9 | 9 | 8 | 10 |
| East Germany | 6 | 5 | 6 | 10 |
| Hungary | 7 | 9 | 9 | 9 |
| Rumania | 5 | 5 | 7 | 7 |

TABLE III
GREEK EXPORTS BY COUNTRY

| | 1962 | 1963 | 1964 | 1965 |
|----------------------|--------------------------|------|------|------|
| | (U.S.\$ nearest million) | | | |
| United States | 27 | 65 | 59 | 51 |
| Common Market | 84 | 90 | 103 | 114 |
| Of which: | | | | |
| West Germany | 44 | 53 | 61 | 73 |
| France | 14 | 10 | 13 | 15 |
| Italy | 16 | 16 | 14 | 14 |
| Netherlands | 7 | 6 | 11 | 10 |
| Belgium- | | | | |
| Luxembourg | 4 | 4 | 3 | 2 |
| Britain | 21 | 22 | 22 | 26 |
| Soviet Bloc | 54 | 60 | 66 | 77 |
| Of which: | | | | |
| U.S.S.R. | 22 | 23 | 25 | 29 |
| Poland | 6 | 9 | 11 | 11 |
| East Germany | 4 | 5 | 6 | 10 |
| Bulgaria | 3 | 4 | 5 | 9 |
| Czechoslovakia | 9 | 9 | 7 | 8 |
| Hungary | 7 | 7 | 8 | 7 |
| Rumania | 3 | 3 | 4 | 3 |

Thomas A. Pappas, will represent an investment of \$200 million and is expected to effect savings in foreign exchange of \$65 million a year.

The first unit of the complex is an oil refinery with a capacity of 2.5 million tons per year. This is to be followed in a few weeks by a 100,000-ton ammonia plant, and thereafter by three petrochemical units producing plastics, detergents, and paints; two chemical plants producing caustic soda and polyvinyl chloride, and finally by a steel plant being built in association with the Republic Steel Company. This will produce one million tons of steel sheet products a year.

This great complex has already attracted allied industries. A nearby \$15 million fertilizer factory has already been put into operation by the French Pechiney-St. Gobain interests. And the American Ethyl Corporation has built a \$12 million plant for the production of tetraethyl lead and related products.

Aluminium de Grecque, controlled by Pechiney but in which Reynolds, Niarchos, and the HIBD have smaller interests, began operation of its new \$125 million smelter in March. This important addition to Greek industrial resources is expected to generate large foreign exchange earnings through the export of both alumina and aluminum ingot. It will have an annual capacity of 200,000 tons of alumina and 72,500 tons of ingot.

Trade Figures Up

Both imports and exports achieved records in 1965 (see Table I). Imports increased by 17 per cent over 1964 and for the first time exceeded \$1 billion. Exports increased by only 7 per cent and as a result, the deficit on trade account rose to \$700 million, or more than twice the country's total exports.

Much of this deficit was covered by invisibles (tourist expenditures, income from shipping, and remittances from emigrants and from workers in Western Europe), all of which rose to record levels. A substantial part of the deficit resulted from increased imports of capital equipment but nevertheless, it is causing deep concern. Efforts to reduce this deficit, particularly by increasing exports (including exports of cotton yarn to Canada) is now a foremost part of domestic and foreign policy.

Table II gives Greece's imports by principal supplying countries in 1965

compared with the three preceding years. The reader will note that the United States was again the most important supplier, followed by West Germany, Britain, Italy, France, Belgium-Luxembourg, the Netherlands, and the Soviet Union.

Table III shows the direction of the country's export trade by principal markets. In 1965 these were, in order of importance, West Germany, the United States, the U.S.S.R., Britain, France and Italy.

Trade with Canada

As Table IV shows, Canada's exports to and imports from Greece increased in 1965 compared with the four preceding years. Exports of seed potatoes, aluminum ingot, asbestos,

TABLE IV
CANADIAN TRADE WITH GREECE

| | 1961 | 1962 | 1963 | 1964 | 1965 |
|----------------------------------|----------------------|------|------|------|------|
| | (millions of Can.\$) | | | | |
| Exports to | 5.0 | 5.2 | 7.4 | 8.0 | 8.2 |
| Imports from | 0.5 | 1.1 | 1.6 | 1.6 | 1.8 |
| Balance in Canada's favour | 4.5 | 4.1 | 5.8 | 6.4 | 6.4 |

refractories, and papermakers' felts increased substantially. There was a falling-off, probably temporary, in sales of wood pulp, newsprint, lumber, flaxseed, and furs.

An agreement was signed early in May between the Hellenic Telecommunications Organization and the Northern Electric Company, Montreal, whereby the latter will supply

some \$5 million worth of modern telephone equipment to the Greek Government's public utility organization. The contract was financed under Section 21A of the Export Credits Insurance Act.

On the whole, the experience of 1965 and thus far in the current year has demonstrated that the Greek economy is basically sound and remarkably resilient. There is much to suggest that the country has reached an intermediate stage of economic development. And it is possible to hope that with some further effective assistance from its partners in OECD, NATO and the EEC over the next five years, Greece could take its place among the economically and socially secure countries of Europe. ●

Free trade agreement with Britain effective July first

Ireland Assimilates Rapid Changes

W. G. HUXTABLE,
Commercial Secretary, Dublin.

IN THIS LAND of "one hundred thousand welcomes", the tradition of hospitality and friendliness seems to be one of the few facets of life unaffected by change. The pattern of trade and industry especially and even the faces of the towns and cities have seen startling if not revolutionary change over the last decade.

A major feature of this change has been the rise in personal income of Ireland's nearly three million persons. Wage rates have increased an average 70 per cent over ten years ago, but the resulting demand for more and better houses, household appliances, automobiles, and interesting food has put strong pressures on the economy's balance.

By 1964 and 1965 rapid growth had produced strains which required

corrective action. Ireland's rate of expansion in gross national product, measured in both current and constant market prices, slowed last year to half the previous year's rate. At current market prices GNP in 1965 is estimated at about \$3,055 million, some 7 per cent higher than in 1964. (In 1963 it was 14.1 per cent.) The volume of the gross national product increased by about 2 per cent in 1965 compared with 4 per cent in 1964.

Foreign Trade

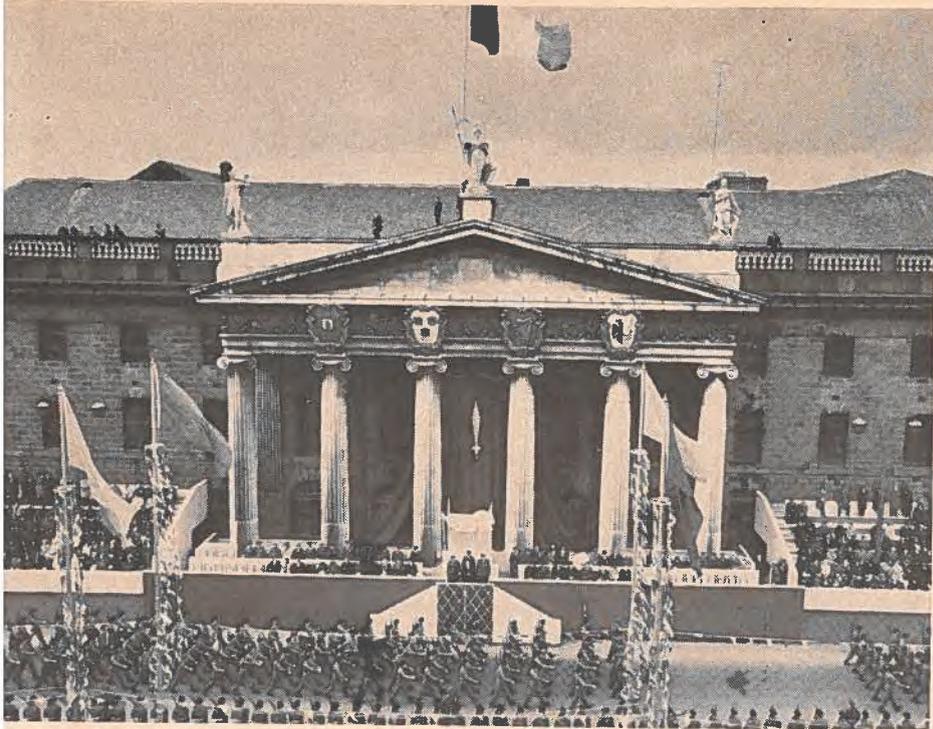
Exports of live cattle, Ireland's most important export, dropped from 794,000 in 1964 to 568,000 in 1965, mainly because of larger numbers of heifers retained for breeding, a pronounced decline in autumn prices, and tightness of credit in Britain, the main market. At mid-year there were 5.36 million cattle in Ireland compared with 4.97 million in mid-1964.

The number of cattle under one year old increased rapidly in the herd but stocks of older cattle rose only slowly. Exports of cattle began to improve towards the end of the year and, supported by continuing increases in cattle numbers, are expected to be well up in 1966.

In other categories, including manufactured goods, exports were maintained or increased slightly and the total for the year actually rose to \$656 million compared with \$655 million for 1964.

But imports jumped alarmingly. The wheat crop was poor in 1964 and imports had to be increased. Machinery for new factories, aircraft for the national airline, and steady rises in all other categories except textiles boosted total imports from \$1,047 million in 1964 to \$1,119 million last year.

Foreign investment too was down—from almost \$111 million in



The rear supporting walls of this reviewing stand in front of the General Post Office in Dublin, Ireland, were manufactured out of waterproof fir plywood from Canada. The parade commemorated the fiftieth anniversary of the Easter Uprising.

1964 to \$81 million last year. Despite an increase in net earnings from the tourist trade, the current balance of payments deficit, at \$135 million, was the largest since 1951.

Earlier in the year the Government took steps to moderate the effect of these developments. The public capital spending program and current government expenditures were reduced. Credit and instalment buying restrictions were increased. Price control was introduced in August and a temporary levy, generally 15 per cent but 10 per cent for Canada and Britain on many items, was imposed on all imports except food and raw materials. The levy was to have ended this March but it has been extended to the end of June or perhaps longer.

Free Trade Agreement

On July 1 of this year the terms of the Free Trade Area Agreement between Ireland and Britain will take effect. From that date, the few British import duties existing on goods originating in Ireland will be removed. The growing textile industry, whose sales have been inhibited by the

British tariff on products composed of synthetic fibres, will benefit most. Unrestricted access is also guaranteed for Irish store cattle, sheep and lambs, and the waiting period before which these animals can qualify for British guarantee payments has been reduced from three months to two.

The quota for Irish butter is being nearly doubled and duty-free access, subject only to future international agreements, is guaranteed for all Irish agricultural, horticultural and fisheries products.

On the Irish side, import duties on most British goods (except jute and certain agricultural products) will be reduced in ten equal annual instalments starting July 1, 1966. There are provisions for slight modification of the terms to soften the effects on Irish industry if necessary (but only to the extent of 3 per cent of Ireland's total imports from Britain) and also for the removal with a few exceptions of all quantitative restrictions on the trade between the two countries.

Even under present trading arrangements, Britain is Ireland's most important trading partner, supplying

about 50.5 per cent of its imports and taking 70.6 per cent of its exports. Canada, with 2.6 per cent of the Irish market, is the fourth most important supplier, behind the United States 8 per cent, West Germany 6 per cent, and the Netherlands 5.4 per cent.

Economic Outlook

Britain's announced decision to remove the import surcharge in November and the Free Trade Agreement concessions offer hope for increased exports of Irish manufactured goods. But concern is being expressed here over some evidence that inflationary pressures and industrial disputes are impairing Ireland's competitive position. Within the past year, deepsea cargo handling at the docks, paper output, and confectionery production have been shut down successively for long periods. A strike of bank employees just begun and an electricity supply dispute have already disrupted commercial and industrial activity. Of all these, only the newspaper strike has been settled at the time of writing. On June 2 a strike of tugboat crews, pilots, warehouse workers and stevedores again closed the Dublin port. Except for Guinness-owned ships, only the British and Irish Steam Packet Co. Ltd., whose docks are separate from those closed by the strike, is able to use the port. In addition, negotiations in the textile and building industries open soon. Both wages and consumer prices have gone up faster in Ireland than in Britain during the past five years, so that some at least of Ireland's competitive edge has already been lost.

Ireland remains an attractive locality for some investments. The Gulf Oil Corporation plans to build a major European distribution centre at Bantry Bay and the General Electric Company plans to establish a subsidiary at Dundalk to manufacture components for transistor radio and television sets. The "opening to the west" afforded and guaranteed by the Free Trade Agreement with Britain and continuance of the present generous industrial development programs by the Irish Industrial Development Authority should help to attract other industries.

Canada in Ireland

Canadian association with Ireland is increasing. The Tynagh lead-zinc-

copper-silver mine opened late last year by Northgate Exploration Limited with Canadian financial support is already reaching output targets. The Consolidated Mogul Mines Limited zinc-lead mine at Silvermines is expected to be ready for production in January 1968. Gortdrum Mines Limited, an associate of Northgate, will be producing copper from Gortdrum in late 1967. Other explorations are under way. A Canadian consulting engineering firm is surveying Ireland's pulpwood resources and will advise the Government on the possibilities for wood pulp production.

The first branch of a Canadian bank in Ireland was opened in Dublin in February by the Bank of Nova Scotia. Armstrong & Taylor, insurance brokers based in Winnipeg, have opened an office specializing initially in mining insurance and the Royal Trust Company of Canada Limited has formed an Irish subsidiary for pension plan and investment administration. They join a growing list of Canadian companies — such as Canadian Breweries Limited, Canada Life Assurance Company, Sun Life Assurance Company of Canada, Aluminum Company of Canada and the mining firms with operating interests in Ireland.

The Canadian interest in Ireland and the increasing tourist traffic encouraged Air Canada to open direct Toronto/Shannon service and Aer Lingus-Irish International Airlines to open direct Montreal/Dublin flights, both in May.

Tourism has in fact become one of Ireland's main revenue earners. Preliminary estimates place 1965 tourist receipts at over \$232 million, up 12 per cent over the previous year. Traffic from North America rose 14 per cent and from Britain and the Continent by 8 per cent.

Selling to Ireland

Canadian exports destined directly for Ireland increased from \$15,072,087 in 1964 to \$16,664,047 last year. But in addition many Canadian products come to Ireland via Britain. Thus total Irish import statistics show Canada as the source of imports worth \$29,166,360 compared with \$22,876,728 the year before. The main commodities in this trade are given in Table I.

TABLE I
IMPORTS FROM CANADA INTO
THE REPUBLIC OF IRELAND

| | 1964 | 1965 |
|--|-------------------|-------------------|
| | (Can.\$) | |
| Fish in airtight containers, salmon | 731,214 | 937,113 |
| Wheat | 5,702,475 | 8,064,999 |
| Oats | 226,242 | 739,182 |
| Barley | .... | 355,275 |
| Apples | 459,732 | 395,700 |
| Tobacco, unmanufactured | 280,914 | 192,690 |
| Cattle hides, undressed | 271,344 | .... |
| Oilseeds, oil nuts and kernels | 465,615 | .... |
| Conifer logs for sawing and veneer logs | 262,662 | 316,422 |
| Conifer deals, battens, scantling and boards | 3,065,268 | 4,083,207 |
| Non-conifer lumber, sawn, etc. | 850,425 | 534,825 |
| Chemicals | 176,400 | .... |
| Plywood | 192,981 | .... |
| Newsprint | 2,397,756 | 1,734,057 |
| Textile yarn, thread and fabrics | 330,861 | 580,581 |
| Synthetic rubbers and rubber substitutes | .... | 870,168 |
| Iron and steel | 375,384 | .... |
| Copper bars and rods | 312,564 | .... |
| Aluminum and alloys unwrought | 4,253,934 | 4,259,337 |
| Machinery (non-electric) | 363,069 | 1,289,943 |
| Excavating, mining machinery and parts | .... | 668,349 |
| Total, including all others | 22,876,728 | 29,166,360 |

Our exports in 1966 should hold up well. Poor weather this spring is expected to lower the domestic wheat crop and imported wheat will probably be needed again in quantity. The printing strike settlement should be reflected in larger newsprint exports. Aluminum movement should increase; the main importer is partly owned by the Aluminum Company of Canada Limited. A large part of the Canadian aluminum is drawn into wire for electrical cable for export under continuing contract to Britain. Increasing emphasis there on aluminum cable for house wiring will directly benefit this trade. The same user rolls foil, extensively used in

Ireland for milk bottle caps and for confectionery wrapping. Future developments could include the use of specially formed aluminum in transformer windings. After ten years of research, the first batch of transformers is now being built for industrial service.

The removal of Britain's import surcharge in November of this year should enable Irish industrial production, spurred by exports, to move ahead again and our sales of required raw materials such as leather, synthetic rubber and plastics, and a wide variety of machinery should increase.

Producers of plastic raw materials, textile fabrics, tools, hardware, some building components, and inexpensive electric appliances will find interest in their products here. (Incidentally, for electrical items the current supply is 220 volt, 50 cycle.) Especially if your product is being sold in Britain, you should not overlook the Irish market. But on many finished goods the Irish import tariff will be higher and the market will be smaller than in Britain. The Irish tariff system tends to provide greater protection for domestic producers, but many imported lines are still needed. Canada will still retain preferential treatment under the Irish tariff.

We will appraise the market prospects and distribution channels for you if you give us full information, catalogues and prices. ●

Information for Exporters

THE Office of Trade Relations of the Department of Trade and Commerce publishes bulletins covering shipping documents and customs regulations for a number of countries of interest to Canadian exporters. This information is available in summary form, by area, for the Far East, the Middle East, Latin America, Europe and the Commonwealth.

Also available are bulletins on *Customs Information for Canadian Exporters to the United States and Tariff Preferences for Canadian Goods Abroad*.

The Office attends to general inquiries from exporters about foreign import duties and trade regulations for particular products and other related subjects affecting Canadian exports.

For copies of any of the documents described, readers should get in touch with the Office of Trade Relations directly. ●



The headquarters of Ente Nazionale Idrocarburi at San Donato Milanese reflects Italy's current industrial boom. This firm is the pivot of 80 companies that are operating in five broad sectors of the natural gas, petroleum and nuclear energy industries.

Sales of industrial materials lead the way as

Italian Expansion Boosts Canadian Trade

J. H. STONE,
Commercial Counsellor, Rome.

THE BUSINESS BOOM of the early sixties, which lost its steam late in 1963, has now recovered some of the driving force that sparked the most rapid expansion in the history of modern Italy. Industrial production in most fields has resumed its rise, foreign trade is expanding quickly, agricultural output is satisfactory, and prices have been comparatively stable over the past year. The depressed state of the building industry, too high a level of unemployment, and the failure of internal business investment to respond adequately to renewed prosperity did, however, cast dark shadows on an otherwise cheerful prospect. Imports from Canada have expanded far more rapidly than Italy's total purchases abroad, partly in response to industry's need to rebuild depleted stocks of industrial supplies and partly as a result of closer trading relations between the business communities of the two countries. If present progress continues, the next few years should see

further impressive gains in Italo-Canadian trade.

Expansion Gathers Strength

Italy's gross national product for 1965, at just under \$60 billion, was 7.2 per cent above that of 1964 or some 3.5 per cent at constant prices. Although this was below the annual 5 per cent growth estimated by government planners as necessary for satisfactory economic progress, it was well above the 2.7 per cent increase of 1964. The growth rate accelerated as the year wore on to an estimated annual rate of nearly 5 per cent for the last three months. In per capita terms, this brings the average Italian's yearly income to over \$1,100, a step closer to that of his fellow citizen in other Common Market countries.

Government policy, as set forth in the long-awaited Five Year Plan which is due to be debated in Parliament this summer, calls for a 5 per cent annual increase in real GNP during the 1966-1970 period. If the present expansion follows the pattern established by the previous boom, the 1970 target could be met, provided

that a healthier rate of real investment can be achieved.

Gross investment in 1965 in fact declined for the second consecutive year from the record level of 1963. The drop was particularly marked in industry, commerce and residential housing. Investment expenditures on plant and machinery were only 67 per cent of those two years earlier and housing construction, which accounts for over one third of all fixed investment, fell by 6 per cent. More public works and other government investment expenditures have taken up some of this slack, but a large increase in private fixed investment will be required to maintain the impetus of the current expansion.

The first signs of recovery in business investment appeared early in 1966 and it is possible that the year will see a better performance in this important sector. The Government has announced measures to promote higher investment: public works are to be stepped up again, the great state-owned industrial groups are to increase their spending on plant and equipment, and new credit and other

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facilities should help the building industry. A number of fiscal and legal reforms are planned to help private industry obtain the higher profit rates considered necessary for greater investment.

Industrial Production Up

The rapid expansion of the industrial structure, so striking a feature of recent years in Italy, slackened during most of 1964 and early 1965. In late spring of last year, an improvement began in many branches of industry and by early 1966 this had become almost general, with the important exception of the building industry and those sectors dependent on it. For the whole of last year, the general index of industrial output was 4.5 per cent above 1964 and the first estimates for early 1966 indicate an increase of nearly 10 per cent in industrial production over early 1965. This progress has not been uniform for all industries. The capital goods industries and those producing for building and construction have not shared fully in the new prosperity and some textile products, paper, lumber, and many consumer goods suffered from stagnant consumer demand over most of last year. There are signs that 1966 will bring better output and sales of most products, many of which were highly dependent on export markets for much of their 1965 business. In fact, without the rise of over 20 per cent in exports of manufactured goods which occurred last year, several industries might have found themselves in serious difficulty.

Good Season for Farmer

Total farm output last year, at nearly \$8 billion, was up over 8 per cent in value and 5 per cent in volume. Nature was generally kind to the farmer and the great efforts which have gone into farm improvements, land reclamation and increased mechanization have apparently begun to pay some dividends. Cereal crops, animal products, wheat, grapes and olives all did well. Corn, tobacco, rice and fruit were not so fortunate, with declines registered in these crops. In products of interest to Canada—such as wheat, potatoes and feed grains—production was generally good; the wheat crop increased nearly 14 per cent to 98 million quintals, despite a

decline in the acreage sown. Greater use of commercial fertilizer, estimated at 9 per cent above the previous year, and an 8 per cent rise in the use of farm machinery contributed markedly to this generally good year in agriculture.

Prices and Wages

Past periods of prosperity in Italy have produced rapid inflation of prices and wages. The period from 1959 to 1963 showed these characteristics and put a heavy strain on the stability of the economy. Last year, by contrast, was one of relative stability: wholesale prices were relatively level, rising only by an average of 1.6 per cent compared with 3.4 per cent for 1964; minimum wages rose by 8 per cent and average wages by about 5 per cent. Because total employment actually declined during 1965 and production rose, the gain in the average productivity of labour was estimated at 7 per cent, permitting a modest 1 per cent increase in labour costs per unit of output.

The level of unemployment and in particular the drop in the total labour force employed caused concern during 1965. In February of this year, however, this disquieting trend began to reverse; unemployment dropped slightly and the labour force began to expand once more.

Exports Sustain Economy

Exports of Italian goods last year rose 21 per cent in value above 1964. Because imports changed little in total

value, the chronic trade deficit was cut to not much more than half of the previous year's figure. There was a striking change in the pattern of trade with the Common Market, with exports to these countries rising nearly 28 per cent and constituting over 40 per cent of Italy's total sales abroad. Imports from Common Market countries actually declined by 3 per cent for the first time since the formation of the EEC. This converted an import deficit into a substantial trade surplus with the rest of the Common Market. Exports to West Germany rose strikingly and the Italian trade deficit with the United States was sharply reduced. Table I gives figures on Italian trade.

Canadian Sales Doubled

In striking contrast to the general import picture with little change in total value, Canadian exports to Italy rose by no less than 50 per cent over those of 1964. At \$93 million, they were 20 per cent higher than the

TABLE II

ITALIAN IMPORTS FROM CANADA

| | 1964 | 1965 |
|--|----------------------------|-------------|
| | (billions of Italian lire) | |
| Wheat | 3.3 | 8.5 |
| Wood pulp | 5.2 | 6.5 |
| Aluminum | 1.7 | 3.3 |
| Non-ferrous scrap | 2.3 | 3.2 |
| Powdered milk and butter oil | 1.2 | 2.9 |
| Nickel | 2.9 | 2.8 |
| Pulpwood | 2.7 | 2.8 |
| Oilseeds | .4 | 2.3 |
| Barley and other feed grains | .4 | 1.9 |
| Non-metallic minerals (asbestos) | 1.8 | 1.7 |
| Lumber | 2.3 | 1.6 |
| Iron ore | .2 | 1.4 |
| Ferrous scrap | 1.5 | 1.4 |
| Ores (except iron) | .3 | 1.3 |
| Synthetic rubber | 1.4 | 1.1 |
| Paper and paperboard | .7 | 1.0 |
| Cattle | .2 | .9 |
| Office machinery | 1.1 | .7 |
| Precision instruments | 1.0 | .4 |
| Iron and steel rolling mill products | 1.2 | .3 |
| Total imports* (c.i.f. values) | 42.4 | 57.1 |
| Total imports** (f.o.b. values) | 62.2 | 93.2 |

* Source: Official Italian Statistics

** Source: DBS

TABLE I
ITALY'S FOREIGN TRADE IN 1965

| | Imports | Exports |
|--------------------|----------------------------|--------------|
| | (billions of Italian lire) | |
| Common Market | 1,432 | 1,807 |
| Of which: | | |
| West Germany | 676 | 953 |
| EFTA Area | 591 | 749 |
| Of which: | | |
| Britain | 213 | 211 |
| Eastern Europe | 274 | 206 |
| Of which: | | |
| U.S.S.R. | 113 | 61 |
| Other Europe | 201 | 423 |
| United States | 618 | 386 |
| Canada | 57 | 45 |
| Other countries | 1,419 | 877 |
| Total trade | 4,592 | 4,493 |

previous record in 1963. Our performance in 1964, at \$62 million, had been disappointing but the most optimistic forecasts had not anticipated so great a jump during a year of rather modest general growth. A build-up of industrial stocks in Italy accounted for much of our increased business, because imports from Canada depend heavily on the state of Italian business. The general growth in Canadian sales abroad of secondary products was also reflected in our trade with Italy, although their proportion in our total sales declined with the large rise in sales of materials for industry. Table II gives a summary of the changes in the leading products exported, as shown in Italian trade returns.

Concealed in these figures are a number of successful sales efforts by Canadian firms which have recently begun to do business in Italy. The number of finished Canadian products on this market continues to increase, despite a growing tariff disadvantage as internal ECM tariffs disappear progressively. Goods of original design, high efficiency or competitive laid-down cost can be successfully introduced through the facilities offered by the Trade Commissioners in Milan and Rome. A growing number of Canadian companies are trying their hand at this expanding market.

Italian exports to Canada also continued the steady growth of the last ten years. From the token figure of \$12 million in 1952, they achieved the first trade surplus in modern times in 1964 and last year reached an estimated \$70 million. The growth of the Italian community in Canada has had a great deal to do with this impressive trade expansion. Familiar products imported by new Canadians from Italy often meet general consumer acceptance and take their place as staple items in the trade between our two countries.

One of the most important factors in the growth of Italo-Canadian trade has been the marked increase in the number of business connections between the two countries. The last few years have seen a big rise in the volume of business travel, in the number of trade missions and in trade fair participation in both directions, and in particular in the large number of new agencies and buying connec-

tions established between Canadian and Italian private companies. Two Italian Chambers of Commerce have been established in Canada, in Montreal and Toronto, and a Canadian Chamber may be founded in Rome next year to celebrate our centennial.

Good Financial Position

The rapid expansion of the early 1960's put heavy pressure on Italy's balance of payments, requiring international support for the lira in 1964. That year ended, however, with a surplus on the current account of 193 billion lire. This was further boosted by increased exports, higher remittances from emigrants, and tourist expenditures in Italy to 1,428 billion lire in 1965. Including net capital transfers, the balance of payments yielded a surplus for the year of 1,400 billion lire. Tentative figures for early 1966 show a decrease in the balance-of-payments surplus and, if imports expand with the rise in eco-

nomic activity as seems likely, a deficit for 1966 will probably result. Because reserves are ample, no exchange crisis is currently expected and the lira should maintain its customary "hardness".

Outlook for Increased Trade

As the new expansion gathers force, trade with Canada is likely to continue rising. Many products from each country have only recently been introduced into the other and normal promotion should bring good returns in increased sales. Integration into the Common Market, as far as can be judged, has created a larger and richer market for Canadian goods and has apparently benefitted our exports, despite the tariff disadvantage which Canadian firms face compared with those in the other five countries of the ECM. Our trade offices in Italy are well placed to assist exporters in testing the Italian market and would welcome the opportunity to help Canadian firms get started in Italy. ●

IBRD Helps Latin American Agriculture

IMPROVED irrigation facilities, better breeding stock and more ranching facilities will highlight the development of Latin American agriculture as a result of recent loans and credits advanced by the World Bank. Mexico, Colombia and Paraguay will benefit from the \$U.S.43.2 million IBRD loans toward projects costing nearly \$U.S.106 million.

Lack of arable land has bedevilled the Mexican farmer in a country where he and nearly half his fellows till a land surface only 16 per cent of which is arable. Now farmers will benefit from the rehabilitation and expansion of irrigation facilities in two areas. Dam construction, canal extension, and road development will expand the Lagunera area from 130,000 to 210,000 acres. Farmers will plant wheat, sorghum, alfalfa, and beans, thus lessening the traditional concentration on cotton. At the same time, farmers in the San Juan del Rio district will plant fruit trees and grapes to add to their diversified output of wheat, corn, dairy products, fruits and vegetables.

Nearly 1,200 Colombian ranches and dairy and sheep farms will benefit from further land clearance, fencing, better water supply, stockhandling facilities,

and improved breeding stock. Developments in the world coffee market and an increasing awareness of under-utilized grazing areas pointed to livestock development to lessen Colombian dependence on its famous coffee bean. A small group of agricultural experts is now working hand in hand with participating farmers to plan improvements that will enable Colombians to profit from increased consumption and export of beef and dairy products and also replace products now imported.

Enthusiastic Paraguayan ranchers are eagerly awaiting the opportunity to build up their herds and improve their production methods. Success with an earlier International Development Association program has led to an extension of funds to improve pastures, construct farm dwellings, obtain technical advisory services, purchase machinery needed for waterhole excavation and manufacture aftosa vaccines. Nearly one third of the cattle population will be affected by the program. The application for each development loan is appraised critically as the Paraguayan authorities strive for efficiency in the country's principal industry and earner of foreign exchange. ●

Dutch are spending more freely on variety of goods

J. B. McLAREN, *Commercial Secretary, The Hague.*

THE NETHERLANDS since 1958 has experienced unprecedented prosperity, with private consumption increasing by an annual average of 4.7 per cent and reaching 6.5 per cent in 1965. The gross national product rose by 5 per cent in real terms last year and industrial production gained 6.5 per cent. Inflationary pressures are still a hazard and the tight labour market shows no sign of easing.

agricultural products taken as a whole increased by 12.6 per cent and imports of agricultural products by only 4.6 per cent. Significant increases in imports included fruits and vegetables (20 per cent), and poultry and poultry products (26 per cent). During 1965 the price index for agricultural products rose by 18 points to 139 (average price during 1949/53 equals 100).

The Netherlands Expects Further Expansion

Industrial production reached a new high in 1965. The chemical industry expanded by 13 per cent, metals by 6 per cent, and food processing by 6 per cent also. The textile, shoe and leather, and coal mining industries registered declines. Natural gas deliveries rose by 108 per cent to 1.5 billion meters, and new discoveries of natural gas were made. Export contracts for Dutch gas were signed with firms in Belgium, France and West Germany. The growth in fixed investment slowed down but was still impressive. House construction registered the biggest gain, 10 per cent, public investment (mainly in schools) about 7 per cent, and private fixed investment about 3.5 per cent. The year was marked by further industrial concentration, bringing to over 250 the number of industrial mergers since 1958.

Agriculture Faced Problems

Extremely wet weather adversely affected nearly all arable crops. During the last quarter of 1965 there was a severe outbreak of foot and mouth disease, but it was arrested after the slaughter of large numbers of pigs and a smaller number of cattle. In spite of all this, exports of

Building Record Achieved

Last year was a record one for the building trade. More than 115,000 houses were completed—14 per cent more than in 1964 and 45 per cent more than in 1963. The number of houses started in 1965 also reached a record, rising by 20 per cent over 1964; the number under construction at the end of December stood at 148,466. The first house to use Canadian timber-frame construction methods was built in the Netherlands in April. (See picture on our cover.) This system and adaptations of it promise to be used extensively as the Dutch strive to remedy the tight housing situation.

Outlook for 1966

The economy in 1966 will continue to suffer from a tight labour market, rising wages and increasing inflation. Nevertheless, the Central Planning Bureau is optimistic and predicts that over-all growth will continue and that the balance-of-payments position will improve. The Bureau forecasts that the real GNP will rise some 5.5 per cent, prices 4.5 per cent, real consumption about 4 per cent, and private investment by as much as 8 per cent. The Government would like to hold wage-rate increases to 7 per cent, but a good guess is that they will rise by 9 or 10 per cent. Tension on the labour market will no doubt continue. Although excessive inflation could affect the foreign trade position, exports will probably rise more rapidly this year than in 1965 and imports will increase even faster. In spite of this, the balance of payments on cur-

rent account is likely to show a somewhat larger surplus than in 1965 because of improvement in the terms of trade and the balance of services.

Trade Deficit Down

Total foreign trade in the past year stood at 50.2 billion guilders against 46.6 billion in 1964, a 7.8 per cent rise. Imports went up by 5.9 per cent to 27 billion guilders; exports rose to 23 billion guilders, a 10.1 per cent increase. The deficit on the balance of trade decreased by almost one billion guilders and the import cover increased from 82 to 85 per cent. Imports of raw materials rose 2.5 per cent, capital goods 6 per cent, and consumer goods 14 per cent. There were significant increases also in clothing, chemical products, fruits and vegetables, grains and fodder, paper and furniture. Exports of fruit and vegetables, chemicals and plastics

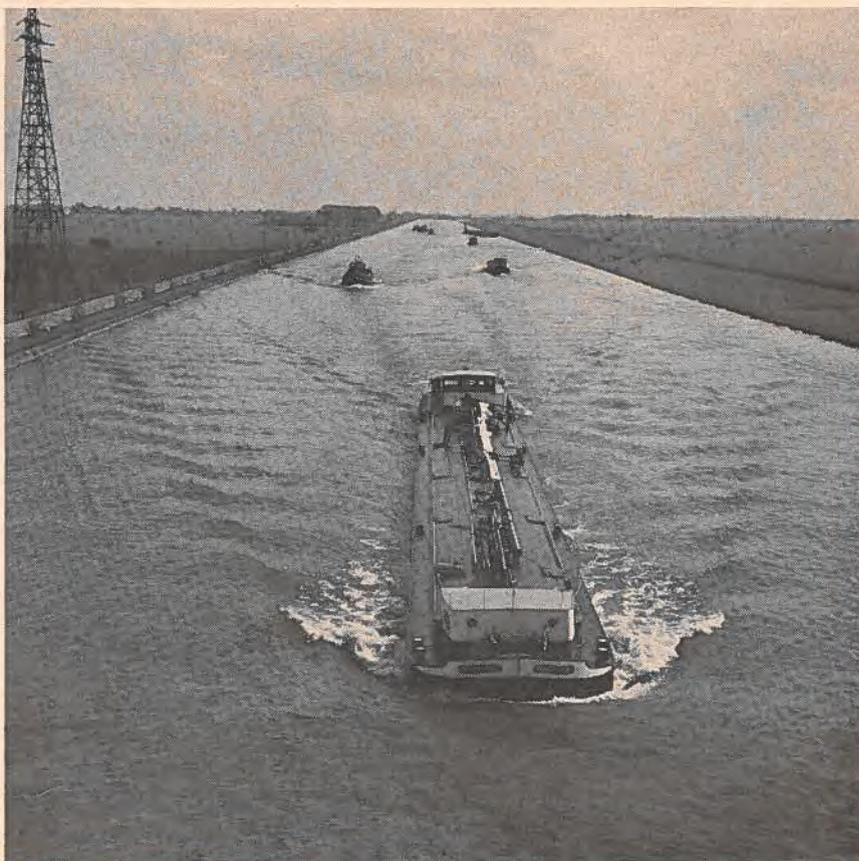
were up, but exports of transport material went down. The EEC countries continue to be the Netherlands' major trading partners, providing 53 per cent of total imports and taking the bulk of Dutch exports.

Trade Prospects

The Dutch consumer is no longer hoarding but is spending freely on consumer goods and quality is at least of equal if not greater importance than price. The latter must still be competitive but cheapness is no longer a major criterion. Canada is sharing in the Dutch prosperity and the outlook for our future trade is good. Imports from Canada in 1965 rose some 30 per cent to Can. \$127.8 million from \$101.6 million in 1964 and there is every reason to expect a further increase in 1966. It is striking that, although imports from Canada of traditional raw materials are rising

steadily, Dutch purchases of consumer goods, such as men's outerwear, work gloves and freezers, are also going up. Plastic toys from Canada were brought in for the first time last year; Canada has become the Netherlands' major supplier of navigation instruments for ships and aircraft and of electronic calculating machines. Spurred by increased building activity, Canadian shipments of timber continue to expand and there are good prospects for Canadian furniture; small quantities arrived at the end of 1965.

The market in the Netherlands is open; Canadian quality and delivery at present overcome tariff barriers in this outward looking, trade-oriented country. Canadian companies eager to share in the prosperous Common Market would do well to make their initial approach through the Netherlands. ●



Motorized barges like this one are hard pressed to keep both imports and exports moving on time during the Netherlands' unprecedented prosperity. A rise in the GNP of 5 per cent in real terms last year has brought increases in public and private spending.

A member of the Fionor organization, this modern fish-freezing plant is located near Bergen in Norway. Fisheries production in 1965, at two million tons, topped all previous years.



Last year brought record economic advance but

Norway Faces Trading Problems

J. E. LANCASTER,
Commercial Counsellor, Oslo.

THE Norwegian economy surged to a record output in practically every category in 1965. The gross national product rose 5.8 per cent measured in constant prices, one of the fastest rates of growth in any OECD country. The outlook is for continuing expansion, although a modest slow-down in both production and exports is expected because the productive capacity of the economy is almost fully employed. Moreover, key export markets in Western Europe are becoming less able to absorb imports following the introduction of anti-inflationary measures. The 10 per cent surcharge levied on certain imports in Britain, Norway's leading export outlet, has also had an effect.

Canada's export trade with Norway, based primarily on ores and matte for refining, industrial raw materials, and special capital goods, has been well maintained and in all probability will expand with Norwegian prosperity. Although inflationary pressures are still exerting an influence, measures taken (including credit restrictions, particularly in the private sector, and the increase in the purchase tax late in 1964) have inhibited a large expansion in private consumption.

The National Government Budget of 1965 did not prove as expansive as was feared and the present Budget will probably not overly inflate the economy. If wage negotiations taking place this year covering wide sections of the working population keep increases within reasonable limits, they

should not upset the price structure. If so, in 1966 Norway may be able to confine over-all price increases to the 3.1 per cent rise of last year, one of the lowest in the OECD countries.

Industrial Expansion Strong

By practically every measurement, the Norwegian economy advanced strongly in 1965. Fisheries production broke all records, with output topping two million tons for the first time, led by the herring fisheries. Output in mining and industry increased 7 per cent over 1964. Iron ore production was up 12 per cent with the opening of new mines and metal production increased. Pig iron production reached 520,000 tons compared with 438,000 tons in 1964 and steel output 675,000 tons compared with 615,000, despite export marketing problems.

Ferro-silicon production rose to 255,000 tons from 214,000 and other ferro-alloys to 290,000 tons from 233,000. Norway's burgeoning aluminum industry reached a new record of 280,000 tons, with exports totalling 231,000. The chemical industry boosted production by 10 per cent, especially in nitrogenous products including fertilizers (370,000 tons).

Output of wood pulp was up but sales did not keep pace with production and a reduction of 10 per cent below the previously established 1965 price was put into effect. Other factors, such as the 10 per cent British surcharge, were also unfavourable. In addition, little progress was reported in bilateral discussions with the EEC on the export of pulp and paper.

Norway's secondary industries continued to flourish, with metal and engineering goods, machinery and apparatus (including electrical gear) showing particular expansion. In the latter category, the largest increases were in the manufacture of transformers, generators and electric motors. Shipbuilding also increased, with deliveries totalling 375,000 gross tons, some for foreign owners. Hydro-electric generating capacity—in this Norway leads the world on a per capita basis—expanded by 750,000 kilowatts.

Merchant Fleet Growing

Of key importance is the continuing growth of the Norwegian merchant marine by the addition of two million gross tons of new tonnage for a total of a little less than 16 million gross tons. The Norwegian merchant marine is the fourth largest and probably the most modern in the world. The fleet is still expanding at a record rate and new types of cargo carriers and parcel tankers are being introduced. Although freight rates are tending to level off, fleet modernization and increased efficiency are helping to maintain earnings. Net earnings from shipping in 1965 totalled 2,550 million kroner, 400 million more than in 1964. Agriculture, in spite of disappointing weather and the consequent smaller output of certain crops and in specific areas (particularly the north), enjoyed a harvest ratio of 98 per cent compared with 93 per cent in 1964. (The yearly average is 100 per cent.)

With the terms of trade moving in its favour, but with only nominal over-all price increases, Norway was able to expand its exports in 1965 by 800 million kroner (9.5 per cent) in value and 5.5 per cent in volume over 1964. Imports were also up, and the deficit on current account rose to 725 million kroner compared with 530 million in 1964. Net capital imports of 1,850 million kroner were sufficient, however, to cover the deficit and to add significantly to foreign exchange holdings. By the end of 1965 these totalled 4,900 million kroner. With prosperity prevailing among Norway's major trading partners, the outlook for exports seems good.

It is worth noting that Norway is expanding its trade, both import and export, with neighbouring EFTA countries, particularly Sweden. On the other hand, the maintenance of the 10 per cent surcharge in the British market is inhibiting sales there of products of secondary industry. Deflationary policies in Britain are also causing anxiety among Norwegian exporters. Norwegian sales to the EEC countries have reached a plateau: in fact, exports to the European Economic Community are being maintained in large measure by import quotas, particularly in the West German market. Thus although the over-all picture is bright, some dark clouds are appearing on the horizon.

What Canada Sells

Norway is Canada's fifth largest market in Western Europe in terms of value and Canadian sales rose from \$67.6 million in 1964 to \$82 million last year. Leading exports consist of ores and matte for refining valued at over \$50 million in 1965, and industrial raw materials—including metallic salts, synthetic rubber, pulpwood, asbestos fibres, aluminum pigs and ingots, copper bars and rod, undressed sealskins, and carbon and carbon electrodes. Canadian consumer goods are not selling as well as in the early 1960's when Norway was dismantling its import controls against industrial goods and commodities. This adverse development is a natural outcome of the EFTA tariff discrimination. Similarly, as Western European producers of capital equipment have increased their productive

efficiency and output, suppliers in North America have tended to become marginal suppliers, except of specialties.

Although Norway is a food-deficit area, stringent import controls protect domestic production. A government monopoly on the import of feed grains and wheat limits prospects for increasing sales in this sector. Possibilities for expanding Canadian exports of foodstuffs to an appreciable degree appear to depend on a growing population (it is now increasing by 30,000 a year), on shortages in the Norwegian domestic market, or on changes in fundamental official Norwegian policy towards food imports.

Opportunities Detailed

What are the best opportunities in Norway for Canadian suppliers? As already suggested, prospects are good for industrial raw materials required by expanding Norwegian industry. As the Norwegian economy grows and production becomes more sophisticated—a trend already well under way—opportunities for marketing complex equipment and specialties appear. Canada is already selling advanced business equipment including computers, rock-drill equipment, aircraft, automobile parts, and advanced types of specialized electronic gear. Because Norway is a well-to-do country with no balance-of-payments problems, Canadian exporters in these fields might well examine prospects there.

For the average Canadian exporting firm, however, the Norwegian market, with only 3¾ million consumers, can offer only a minor outlet. However, the similarities in taste, market acceptance and other factors in the five Nordic countries—Iceland, Sweden, Denmark, Finland, and Norway—might be borne in mind. These countries combined support a population of some 21 million and a purchasing power little below that in Canada. Although there are some national differences, a successful approach to one of these markets may lead to encouraging experiences in the others. Prospects in all the Nordic countries, including Norway, warrant close examination by the enterprising Canadian exporter.



Portugal Stresses Industrial Development

M. S. STRONG,
Commercial Counsellor, Lisbon.

THE balance of visible trade of Metropolitan Portugal deteriorated in 1965 compared with 1964 (an increase of nearly 24 per cent) largely because of bigger imports of industrial raw materials and capital goods. Customary factors—tourism, shipping, remittances from emigrants and inflow of foreign capital—ensured a favourable balance of payments and gold and foreign exchange reserves increased to Can. \$1,052 million in November 1965. The foreign public debt was equivalent to approximately 40 per cent of the foreign exchange reserves, leaving a considerable margin of security. Almost 40 per cent of this debt consists of relatively short-term privately placed debt, calling for rather heavy repayments until 1969.

Imports, Exports Rise

The value of Portugal's imports from abroad—excluding those from the overseas territories—reached Can. \$843 million in 1965, an increase of 18.9 per cent over the previous year. Exports rose by only 10.8 per cent to Can. \$466 million, thus increasing the adverse balance of visible trade.

Almost all categories of goods shared in the rise but approximately 70 per cent of the increase was accounted for by larger imports of vegetable products, animal and vegetable fats, oils and waxes, base metals and manufactures of base metals, machinery, mechanical appliances and electrical equipment, and transportation equipment. The latter included two Boeing 707's and 40 military aircraft from Italy; these are not likely to be recurring imports.

Exports of wines and canned fish increased, but the value of cork shipments—another traditional Portuguese export—was slightly lower than in 1964.

The pattern of Portugal's foreign trade showed little change in 1965. However, it is interesting to note that, as a percentage of total imports, imports from EEC countries increased slightly. Imports from Portugal's EFTA trading partners remained practically unchanged.

The budget estimates for 1966 show a small surplus of revenue over expenditure. Defence expenditure, 8.5 per cent higher than in 1965, again takes up 38.8 per cent of the total budget; about one third represents NATO commitments. Development investment amounting to approximately Can. \$170 million accounts for a quarter of the budget, including approximately Can. \$80 million under the 1965-67 Transitional Development Plan. Compared with 1965, expenditure is greater on communications (3½ per cent), health services (2½ per cent), education (7 per cent).

Tourist Trade Booming

The Portuguese tourist boom continues unabated. It is estimated that

1.5 million tourists visited the country in 1965 compared with one million in 1964 and a figure of two million is predicted for 1966. Revenue from this growing influx of visitors (estimated at Can. \$171 million in 1965) is now the most important single source of foreign currency.

In anticipation of an increasing tourist trade, 54 hotels are currently under construction in Continental Portugal, the Azores and Madeira, or building permits have been granted for them; some 3,784 rooms will be added. Completion dates range from June 1966 to 1968. A number of large residential estates, particularly in the Algarve, are also planned. Hotels catering to the tourist trade are permitted to import free of customs duty certain items—such as laundry, kitchen, air-conditioning and refrigeration equipment—not produced in Portugal.

Industrial Growth Stressed

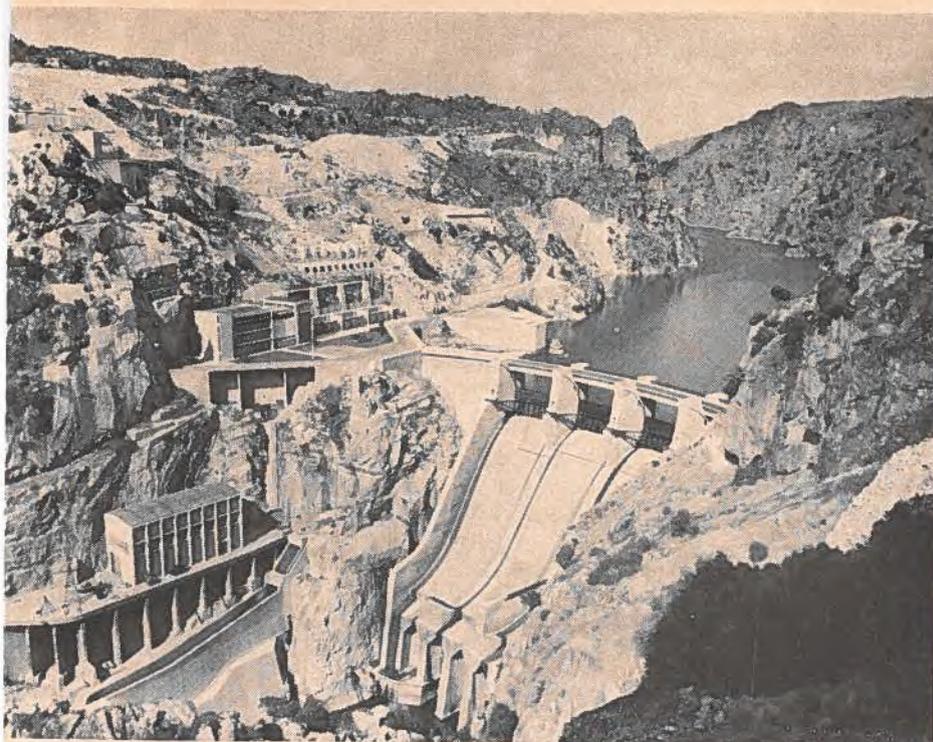
It is doubtful whether the annual growth rate envisaged under the

TABLE I
PORTUGAL'S FOREIGN TRADE*

| Areas and Countries | Imports | | | | Exports | | | |
|---------------------|---------------|----------|---------------|----------|---------------|----------|---------------|----------|
| | 1964 | Per cent | 1965 | Per cent | 1964 | Per cent | 1965 | Per cent |
| EEC (total) | 274.93 | 38.7 | 341.89 | 40.1 | 115.82 | 27.5 | 127.87 | 27.5 |
| Of which: | | | | | | | | |
| West Germany | 126.69 | 17.8 | 159.68 | 18.9 | 42.03 | 10.0 | 49.70 | 10.6 |
| France | 59.24 | 8.3 | 73.60 | 8.7 | 27.70 | 6.5 | 28.42 | 6.1 |
| Italy | 36.97 | 5.2 | 50.54 | 6.0 | 16.07 | 3.8 | 17.97 | 3.8 |
| Netherlands | 24.89 | 3.5 | 24.55 | 2.9 | 15.35 | 3.6 | 16.68 | 3.6 |
| Belgium-Luxembourg | 27.09 | 3.8 | 33.40 | 3.9 | 14.59 | 3.4 | 15.09 | 3.2 |
| EFTA (total) | 177.80 | 25.0 | 209.08 | 24.8 | 141.36 | 33.6 | 167.12 | 35.9 |
| Of which: | | | | | | | | |
| Britain | 112.75 | 15.9 | 126.96 | 15.0 | 88.54 | 21.0 | 109.78 | 23.6 |
| Other EFTA | 65.06 | 9.1 | 82.12 | 9.7 | 52.82 | 12.6 | 57.34 | 12.6 |
| United States | 86.98 | 12.3 | 78.13 | 9.2 | 58.86 | 14.0 | 65.40 | 14.9 |
| Canada | 4.37 | 0.6 | 5.97 | 0.7 | 8.93 | 2.1 | 10.22 | 2.2 |
| Other | 164.65 | 23.2 | 207.82 | 24.5 | 95.15 | 22.6 | 94.81 | 20.4 |
| Total | 708.78 | | 842.95 | | 420.20 | | 465.50 | |

Source: Instituto Nacional de Estatística.

*Excluding the overseas territories.



Industrial growth is being stressed by Portugal's economic planners; primary projects such as the Picote Dam on the Douro River have been given top priority. Greater interest is currently being shown, however, in promoting secondary manufacturing.

TABLE II
PORTUGAL'S MAIN IMPORTS FROM ABROAD*

| | 1964 | 1965 | Per cent change |
|---|----------------------|---------|-----------------|
| | (millions of Can.\$) | | |
| Live animals and animal products | 23.84 | 26.87 | +12.7 |
| Animal and vegetable fats, oils and waxes | 8.24 | 16.39 | +98.9 |
| Vegetable products | 34.51 | 53.25 | +54.2 |
| Prepared foodstuffs, beverages and tobacco | 20.18 | 15.08 | +33.1 |
| Mineral products | 77.14 | 78.20 | + 1.4 |
| Products of chemical and allied industries | 63.79 | 71.52 | +12.1 |
| Artificial resins, plastics, rubber, etc. | 28.47 | 33.03 | +16 |
| Raw hides and skins, leather goods | 6.14 | 5.13 | -19.5 |
| Paper and paperboard and papermaking material | 12.61 | 15.25 | +20.9 |
| Textiles and textile articles | 102.61 | 112.32 | + 9.4 |
| Articles of stone, ceramics, glass, etc. | 5.69 | 7.09 | +24.6 |
| Base metals and articles thereof | 97.39 | 109.76 | +12.7 |
| Machinery, mechanical appliances and electric equipment | 150.11 | 172.10 | +14.6 |
| Transportation equipment | 52.78 | 88.63** | +67.9 |
| Optical, photographic and precision instruments | 13.10 | 15.54 | +18.6 |
| Miscellaneous manufactures | 4.94 | 5.67 | +14.8 |

*Excluding the overseas territories.

**Includes Civil and Military Aircraft.

Source: Instituto Nacional de Estatística.

Third Development Plan—6.1 per cent as opposed to 4.2 per cent in the Second Development Plan—was reached in 1965. There is every prospect, however, that the Government's efforts to reach this target will be more effective in 1966. To attain this goal, investment priorities have been shifted from primary projects slower in development, such as hydroelectric schemes, to faster maturing manufacturing projects. There has also been a departure from the traditional concern over balanced growth and this is an important development in a country that has to bear an increasingly heavy defence burden and at the same time implement a policy of rapid industrial growth. Consequently, continued stability in the overseas territories will be of great importance in Portugal's economic future.

Agriculture is still the weakest sector. Although the harvest in 1965 was larger than expected, it was still below the average for the preceding ten years. The Government has stated its firm intention to promote greater agricultural production, and will give technical and financial assistance to farmers in 1966. In subsequent years only those farmers who have increased production or improved their farming methods will be eligible for further aid.

Market Outlook

In recent years, salt codfish and raw materials for industry have accounted for up to 80 per cent of Canadian exports to Portugal. The demand for salt codfish is expected to continue, but price, quality and size will be governing factors in maintaining the present level or increasing the value of our exports of this product to Portugal.

With increasing industrialization, the market for raw materials should increase. The accelerating demand for industrial machinery and equipment will also offer greater possibilities to Canadian manufacturers.

Plans for improving Portugal's agricultural production include upgrading of cattle herds and it is expected that 6,000 Holstein-Friesians will be purchased in the next three years. The added stress on higher agricultural output should also open up possibilities for the sale of improved strains of hogs, seed potatoes and

forage seeds, and animal food additives.

Lower freight rates for manufactured goods from European countries and the more favourable duties on goods imported from Portugal's EFTA partners are obstacles that Canadian exporters of manufactured goods to this country must face. However, manufacturers who are competitive in other European mar-

kets and who can offer goods not produced in Portugal should not hesitate to explore the possibilities for sales in this market.

When visiting other countries in Europe, Canadian businessmen can fly direct (non-stop) between Canada and Portugal at little if any additional cost. Personal visits remain the best way of investigating market opportunities but failing this, Canadian

commercial officers in Lisbon will be pleased to carry out market surveys on receipt of descriptive literature, and, preferably, c.i.f. price-lists for goods offered. If possible, the exporter should send a number of copies to enable the officers to approach simultaneously a number of importers in Continental Portugal and the overseas territories covered by our Lisbon office. ●

Chances of increasing Canadian sales excellent as

Spain Makes Impressive Progress

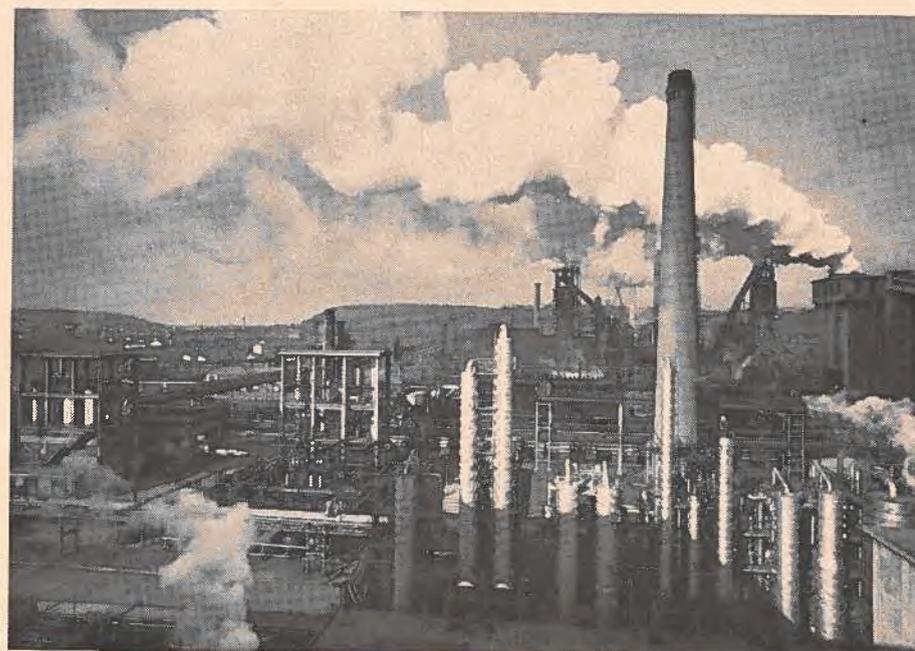
L. A. CAMPEAU,
Commercial Counsellor, Madrid.

SPAIN, a country of 31 million people, constitutes a market of major importance and offers increasingly good possibilities to Canadian exporters. It is basically agricultural and agricultural surpluses, principally oranges, constitute its main exports. Spain is also comparatively rich in mineral resources (even though some of its higher grade ore deposits have been exhausted) and the Government is encouraging exploration.

Manufacturing has developed slowly and industry of all types has largely concentrated on the domestic market. But heavy industry, including iron and steel foundries and shipbuilding, has made considerable progress, particularly in the north. Today the economic outlook is vastly different from that of a few years ago. Spain is going through a significant transition and presents unusual opportunities to Canadian firms.

Rapid Progress Made

The gross national product in 1965 is calculated to have reached \$17.6 billion. Agriculture, with fishing and forestry, accounts for about 25 per cent of the GNP and for more than half of exports; manufacturing accounts for close to 25 per cent and



The ENSIDESA iron and steel complex, shown above, is situated in Aviles, in Asturias. The Spanish Government is assisting the development of existing and new industries and last year investment in industry went up by some 28 per cent.

prospects for expansion are excellent. Per capita income is now over the \$500 mark which supposedly divides poor countries from rich. It is still small compared with other European nations but a big improvement over the \$270 per person in 1960.

The 25.9 per cent increase in tourist revenues is particularly interesting, because the number of tourists visiting Spain has increased by 40 per cent over the last two years and reached 14.2 million in 1965; 15 million are expected in 1966. Spanish

investment in tourist facilities has begun to show results in greater per capita expenditures.

Spain is in a period of growth of boom proportions and, with more and more disposable income, Spaniards have been buying more luxury goods such as automobiles, refrigerators and TV sets. There are now approximately 1.5 million TV sets in Spanish homes and during the past five years almost 1.2 million refrigerators have been produced in Spain.

This progress, however, has not been made without difficulties. The general price level has risen sharply and the cost of living has increased even more, primarily because prices of basic foods have gone up more than those of other products. There is no doubt that the deteriorating situation in agriculture and the resulting rise in prices of foodstuffs have placed a heavy burden on the Spanish economy. However, crash food imports were stepped up and food prices became somewhat more stable towards the end of 1965. The aim of the Government is to curb demand by reducing public spending without causing economic depression. As a result, food imports in 1965 were as follows (millions of tons): maize 1.47, barley 0.535, potatoes 286.506, sorghum 36.566, beef, fresh and chilled 17.823, half frozen 48.178.

Development Plan Proceeding

On January 1, 1964, Spain launched its Economic and Social Development Plan to span the years 1964-67. The basic objective is a 6 per cent annual rise in GNP at constant prices. Since then, economic progress has been impressive, partly because of the recommendations of the World Bank. Basically, three branches of activity—agriculture, transport and education—are receiving priority. The Plan itself envisages a total investment of \$15 billion in a broad program which should present many new opportunities to Canadian exporters. Spain's gross national product expanded at a rate of 8.2 per cent in 1965 against 7.1 per cent in 1964. Last year industrial production increased 9.8 per cent and investment in industry by 28 per cent compared with 16 per cent in 1964. Productivity, which comes within the previsions of the Plan, also rose by 5.9 per cent.

The results during the first two years of the Plan have been satisfactory, with the exception of agriculture. The main reasons for agricultural production falling short of the Development Plan previsions are a declining labour force, depleted by the attraction of work abroad and in new industries, lack of investment, and slow mechanization which did not keep pace with the rural exodus. The Government's efforts to keep prices down by means of freer imports and price controls led to smaller returns from agricultural sales. In addition to these basic difficulties, the summers of 1964 and 1965 were long and dry.

Common Market Approached

The Spanish Government continues to show interest in association with the Common Market countries. The first official bid for association was made in February 1962 and after almost four years the application appears to have stalled. There is strong opposition to this association from some industrial groups within Spain which fear competition. On the other hand, moves within the EEC to close its markets against Spanish agricultural exports are viewed with real alarm, as was Italy's recent move which resulted in the imposition of new higher prices on Spanish citrus fruit during the present season.

Trade with the Common Market countries is lopsided because Spanish purchases of industrial goods from the Community have increased considerably in the last few years. During 1965, Spanish imports from the Common Market countries reached U.S. \$1,127 million compared with U.S. \$811 million in 1964, an increase of 38.9 per cent. The main suppliers in order of importance were West Germany, France, Italy, the Netherlands, and BLEU.

Spain's exports to the Common Market represent almost 40 per cent of total exports. EEC countries purchased from Spain U.S. \$345 million in 1965, a decrease of 7.08 per cent over 1964 when Spanish exports to that area reached U.S. \$371.4 million. However, in spite of the "orange war" and higher prices, Spanish citrus exports are bigger than last season. This trend is welcomed by the Spanish authorities, who were very

worried that the higher prices for oranges would lead consumers in the EEC to purchase much larger quantities of other lower-priced Italian fruit. Common Market customers for Spanish exports in order of importance are West Germany, France, the Netherlands, Italy and BLEU.

Trade and Payments Balances

The Spanish balance-of-payments situation and particularly the balance-of-trade problem are of direct concern to Canada. Spain's merchandise trade has for years shown an adverse balance: in 1965 the trade deficit, according to Customs figures, reached U.S. \$2,078 million. Spanish imports last year amounted to U.S. \$3,023 million, rising by over 33 per cent from 1964 (U.S. \$2,092 million), and exports at U.S. \$945.3 million decreased by 1 per cent compared with 1964 (U.S. \$954.4 million). The trade deficit was partly compensated for, as in previous years, by tourist earnings amounting to U.S. \$1,085 million, remittances from Spaniards living abroad (roughly U.S. \$390 million), and long-term capital investment estimated at U.S. \$196 million.

For the first time since 1959, however, Spain's invisible items last year could not close the gap and the balance-of-payments deficit was estimated at U.S. \$146.8 million. The Government is concerned because this deficit is continuing into 1966 and as tourist revenues may again be insufficient to close the gap, the foreign exchange reserves could be sharply reduced again this year. Although reserves are estimated to be still over the U.S. \$1 billion mark, rumours about a devaluation of the Spanish peseta have been spreading. Many economists do not consider this an adequate measure because it might only attract tourists in a small way and it would increase considerably the cost of imports.

Trade Policy

Spain's imports consist of raw materials and capital goods 76.5 per cent, foodstuffs 19.59 per cent, and other products 3.9 per cent. In 1965, Spain's chief suppliers were the United States, West Germany, France, Britain and Italy and its chief markets were West Germany, Britain, the United States and France. The

geographical distribution of Spanish trade is as follows: imports—58.3 per cent from Europe, 24.4 per cent from North and South America, 8.6 per cent from Asia, 5.1 per cent from Africa and 3.5 per cent from Oceania. Some 65 per cent of exports go to Europe, 24.6 per cent to North and South America, 3 per cent to Asia, 5.9 per cent to Africa and 1.7 per cent to Oceania.

Global quotas still continue in force in spite of the Government's avowed policy of continuing the liberalization of trade. Roughly 65 per cent of imports into Spain are free. Most foodstuffs imports come under state trading. The official government trade policy is to try to tackle the problem of imbalance by the strictest control of financing methods and cost elements and not by restrictions which could paralyze development. This policy was made clear recently by the Minister of Commerce, who summed up the aims as follows:

1. Co-ordination of economic policy towards maximum development.
2. Continued liberalization of imports.
3. Selective tariff protection.
4. Insurance of normal level of supplies.
5. Integration into Europe.
6. Increase in exports in 1966.

Trade with Canada

Canada is still an unknown factor in many trading fields in Spain and is regarded purely as a supplier of commodities like wheat, lumber and raw materials. Canadian exporters are also faced with stiff European competition which often succeeds because of proximity. Furthermore, Spanish industry is very protective; a large percentage of the successful companies have expanded behind a high wall of import controls and tariffs. As a conservative country with powerful entrenched groups not prone to abandon their preferred position in the domestic market, Spain remained a closed market until a few years ago, when the Government adopted a policy of trade liberalization. Canadian exporters are now taking increasing advantage of this liberalization, as

TABLE I
CANADA'S TRADE WITH SPAIN

| | Exports | Imports | Balance |
|------|------------|------------|-------------|
| | (Can.\$) | | |
| 1962 | 15,416,359 | 8,463,253 | + 6,593,106 |
| 1963 | 20,499,890 | 8,495,802 | +12,004,088 |
| 1964 | 21,254,106 | 11,711,425 | +10,542,681 |
| 1965 | 33,824,913 | 13,285,478 | +20,539,435 |

shown by an important Canadian participation in the Barcelona International Samples Fair this month.

Canada performed well in this market in 1965, with an increase of 59.14 per cent in its sales to Spain. This trend should continue unless Spain encounters balance-of-payments difficulties in the near future. Since 1962, Canadian exports have been increasing at an interesting rate. Our purchases from Spain have also increased (13.44 per cent) but the gap between our exports to and imports from Spain has widened considerably. However, the imbalance is being redressed by the expenditures of Canadian tourists—more than 47,000 went to Spain in 1965. With an average spending of \$500 per capita (as indicated by the Spanish Tourist Bureau for North American tourists) this helps compensate for the deficit on trade.

An analysis of Canadian exports to Spain in 1965 shows little change in the general pattern, except for some interesting items such as the sales of Canadian flight simulators to Spanish National Airlines and the sale of Holstein-Friesian cattle last year, which will only be included in this year's trade figures. The increase in 1965 resulted from larger exports of cod, milk powder, hides, copper scrap and bars, lumber, pulp, resins, steel products, aluminum and nickel. There was also a sizable increase in exports of some manufactured products such as automobiles, TV sets, refrigerators, air conditioners, and measuring and testing equipment and parts. The principal Spanish products sold to Canada last year were olives, almonds, vegetables, textiles and yarns, shoes, cork, mercury, furniture, motorcycles, olive oil and canned goods.

Exploiting the Market

Although Canadian exporters are taking more interest in this growing market, much promotion work re-

mains to be done. When the effort is made, startling results are often achieved. These results, of course, stem from intensive efforts and aggressive sales methods on the part of both the Canadian company and the Spanish agent. Traditional European suppliers monopolize the market in certain commodities: for example, Scandinavian countries dominate the pulp and paper market. High freight costs from Canada and lack of direct shipping services from Eastern Canada to northern Spanish ports are major drawbacks. However, a direct service to Northern Spain from the Great Lakes (American Export/Isbrandtsen Lines), which became available early this year, should help Canadian suppliers break down this barrier. Sales promotion is essential to success and periodic visits to the area, with personal attention to agents, can do much to ensure profitable business.

Trade Prospects

The Spanish market is worth \$3 billion a year, and as the economy develops, our sales can increase substantially. Until recently, the Canadian policy of multilateral trading did not fit into the Spanish picture, because the bulk of Spain's important export trade was done under bilateral agreements, forced by the lack of foreign exchange. With the liberalization of import trade, Spanish importers are allowed to buy where they wish at competitive prices. This has undoubtedly helped Canadian exports to Spain. The Spanish market deserves much more attention from Canadian exporters, particularly in the supply of raw materials and capital goods for industry. Canadian participation in the Barcelona International Fair this year should confirm the potential business in the field of capital goods.

There is great interest in this country in joint ventures, capital licensing and technical knowhow. This is required for plant expansion, housing, highway construction, travel resorts, agriculture, food products, and industrial chemicals.

While it is true to say that a higher standard of living has increased the demand for consumer goods in Spain, the high protection given to Spanish-produced goods makes the imported articles uncompetitive in many cases. Moreover, domestic production

of such goods, mainly under licence, has been greatly increased. For example, literally all domestic appliances are now produced locally and there is little interest in imports. There is a small market for certain high-class food products such as salmon, canned goods, ham, cheese, etc., but the de-

mand is of course limited by the high import prices.

Under the Development Plan, a good deal of government assistance is available to businessmen establishing industries in the development zones. Tax exemptions and a variety of credits and loans are available, with pref-

erence given to different industries according to the needs of each area. Local inquiries for Canadian products have recently increased. With the assistance of an active agent and good sales promotion, Canadian companies, if they show persistent interest, can develop an interesting market here. ●

Growth more measured, market prospects still good as

Sweden Steps Up Imports



G. A. BROWNE,
Commercial Counsellor, Stockholm.

THE continuing boom in Sweden achieved a new record in 1965 with increases in most sectors of production and in exports and a record rise in imports. The GNP for 1965 reached Sw.Kr. 107,300 million or Can.\$22.6 billion, an increase over 1964 of about 3.5 per cent.

The demand behind this modest rate of increase for Sweden is likely to continue, in spite of concern about inflation expressed by the Government and the financial community—a concern heightened by the substantial wage increases in this spring's management-labour agreement. In the past, the industry-wide wage contract between the employers and the labour federations has usually covered a period of two years. This spring's precedent-setting management-labour contract was for three years. Industry wage levels are thereby hopefully expected not to increase more than 25

Assistant Commercial Secretary John Bell (left) and H. Lindblad, sales director for the Philipsons Co., Stockholm, discuss the prospects of selling Canadian outboard motors. This air-shipped sample order was arranged through the office of the Commercial Counsellor in Stockholm; the Philipsons firm will probably take on the marketing of this motor throughout Sweden.

to 30 per cent up to the spring of '69. The inflationary pressure—and the new wage agreement will add to this—represents a cloud on the horizon of the Swedish export industry upon which chief hopes are pinned at the moment for obtaining the income necessary to pay Sweden's heavy import bill.

Industrial production, particularly in the engineering industries, is expected to show the same strong increase through 1966 as in the past. The forest industries, on the other hand, are not expected to increase at the same rate and the continuing tight credit situation is expected to affect consumer goods production and imports and the service industries. Notwithstanding some less optimistic forecasts, there is reason to believe that Swedish importers are unlikely to reduce their orders significantly over the next year.

Trade Deficit

In previous years there has been no significant gap between the volume of Swedish exports and imports, but in the past year imports have climbed much more rapidly. The rate of increase for exports in 1965 was 8 per cent, but the increase of 13.5 per cent in imports has required a drawing on Sweden's foreign exchange reserves. Table II shows the values of exports and imports.

Sweden's trade with the Eastern Bloc countries increased slightly but

exports, although not increasing significantly in absolute value, were somewhat more diversified.

In spite of the import surcharges affecting exports to its major EFTA trading partner, Britain, Swedish trade with the EFTA group continued to increase somewhat faster than with the EEC countries. Sweden's purchases from EFTA, including Finland, increased last year by 15.6 per cent compared with a 13.5 per cent increase in total Swedish imports from all countries.

TABLE II
SWEDEN'S TRADE BY AREA 1965

| | Exports | Imports |
|--|-----------------------|-----------------|
| | (millions of Sw.Kr.)* | |
| Total | 20,553.9 | 22,651.0 |
| EFTA | 8,750.7 | 7,367.3 |
| EEC | 6,388.3 | 8,501.9 |
| Other OECD in Europe | 643.0 | 308.7 |
| Eastern Europe | 801.0 | 931.6 |
| Other Europe | 76.7 | 54.6 |
| South Africa | 200.2 | 59.9 |
| Other Africa | 411.4 | 333.8 |
| Communist China, North Korea and North Vietnam | 70.9 | 80.2 |
| Japan | 126.3 | 315.3 |
| Other Asia | 548.9 | 811.3 |
| United States and Canada | 1,472.9 | 2,340.6 |
| Central and South America | 737.4 | 1,444.2 |
| Oceania | 326.3 | 101.4 |

*Sw.Kr. 4.75 equals Can. \$1.00

TABLE I
IMPORTS INTO SWEDEN 1965

| | Total | EFTA | EEC | United States | Canada | Eastern Europe |
|------------------------------|-----------------------|--------------|--------------|---------------|------------|----------------|
| | (millions of Sw.Kr.)* | | | | | |
| Total | 22,651 | 7,367 | 8,502 | 2,148 | 193 | 917 |
| Of which: | | | | | | |
| Food | 2,245 | 539 | 292 | 195 | 20 | 78 |
| Beverages and tobacco | 258 | 94 | 76 | 29 | 1 | 4 |
| Basic material | 1,588 | 372 | 351 | 192 | 63 | 87 |
| Mineral fuels and lubricants | 2,477 | 670 | 581 | 106 | .... | 306 |
| Oils and fats | 125 | 30 | 27 | 45 | .... | .... |
| Chemicals and manufactures | 1,747 | 636 | 728 | 206 | 12 | 91 |
| Manufactures | 5,239 | 2,018 | 2,146 | 260 | 55 | 207 |
| Machinery and transport | 6,745 | 2,177 | 3,464 | 920 | 36 | 50 |
| Miscellaneous manufactures | 2,192 | 812 | 831 | 186 | 6 | 93 |
| Other | 34 | 18 | 7 | 9 | .... | .... |

*Sw.Kr. 4.75 equals Can.\$1.00

On the export side, Sweden's sales to EFTA countries were 10.1 per cent over 1964 and the corresponding increase in total exports to all countries was 8 per cent.

Trade with Canada

Sweden's over-all trade with Canada increased from Can.\$62.5 million (Swedish figures) in 1964, to Can.\$91 million in 1965 (imports into Canada c.i.f. \$40.5 million, plus exports from Canada f.o.b. \$50.5 million), an increase of nearly 46 per cent, compared with an increase of 11 per cent in over-all trade with all countries.

Although Canada's exports to Sweden changed little in absolute value from the previous year, the composition of these sales altered in an interesting way. Formerly the major individual items in Canadian shipments to Sweden were non-ferrous metals and other primary materials. In 1965 the largest single item was automobiles and parts, and the number of DBS classifications in Canadian shipments to Sweden increased by some 15 per cent over 1964.

The Market Ahead

The five-year long-term forecast for the Swedish economy published early in 1965 suggested that the most significant growth would be in the consumer field and in the engineering, electronic and chemical industries. The trend in Sweden, faced with a chronic shortage of labour, appears to be concentration on those industries and economic sectors requiring higher skills and more intensive investment and holding the greatest promise for growth and export income.

The trend to industrial concentration through mergers and rationalization persists, as does the interest in Sweden in investment abroad. Direct investment abroad at present includes the ownership of over 1,200 foreign subsidiaries, each of which is an important focal point for Swedish exports.

Sweden is a market always on the lookout for new products, new methods, and new materials and offers great opportunities for the aggressive Canadian exporter.





These are the Basle, Switzerland, works of Sandoz Ltd., as seen from the Franco-Swiss frontier. The Rhine River flows behind the factory buildings.

Government action slows down inflation but

Switzerland Enjoys Prosperity

R. G. GODSON,
Acting Commercial Secretary, Berne.

PROSPERITY continues to be the keynote of the Swiss economy. In the sixties this small but wealthy country with a population of over six million has been experiencing a boom. The intense activity in nearly all economic fields has brought with it, however, problems of inflation and a too rapid inflow of foreign labour. Legislation was introduced in 1964 and 1965 to deal with these problems but only now is the effect of these control measures being felt.

Decrees Take Effect

The Federal Decrees restricting building activity, regulating credit, and reducing foreign labour have had

a dampening effect. Both private investment and consumer spending have been expanding much more slowly. The decision to restrict severely the access of non-resident foreign investors to Swiss securities and real estate has reduced the capital inflow from abroad. The returns of banks and stockbrokers showed that sales of Swiss securities by foreign customers exceeded purchases by Sfr.50 million in 1964 and by Sfr.16 million in 1965. Foreign purchases of real estate declined by over one fifth in both years.

Preliminary estimates indicate an increase in investment in equipment of some 2 per cent in real terms, slightly less than in the preceding year. Investment in building and construction ceased to expand in real

terms, following an average increase of 10 per cent in 1963 and 1964. The amount of public building and construction declined, notably at the cantonal and local level. Investment in housing continued to rise, with work on completions more than offsetting the contraction of activity on new projects. The increase in all building planned for 1965 over 1964 was much smaller than in previous years.

Private Consumption Down

The growth of private consumption, which has steadily moderated since 1962, decreased by 4 per cent in real terms in 1965. The rise in the value of retail sales was smaller than a year earlier but retail prices have gone up sharply. The further slowdown in the growth of private con-

sumption is also apparent in new registrations of passenger cars, which increased much less rapidly in 1965 than in the previous year. The main factors behind the somewhat less buoyant consumer spending were the smaller increase in employment, the slower expansion of transfer incomes, and the continued rise of the household savings ratio. Some 9 per cent of household incomes is estimated to have gone into savings in 1965 compared with 8 per cent in the preceding year and 5 per cent in 1962. The rising trend of wages and salaries continued in 1965 and it is becoming increasingly difficult to hold the line this year. The tendency towards less expansion in public consumption, evident since 1962, continued in 1965; the increase in real terms was estimated at 3.4 per cent compared with 5.9 per cent in 1964.

Earnings Increase

Exports increased and as a result foreign markets became more important than ever to the Swiss economy; about 40 per cent of the gross national product is derived from sales abroad. Certain export industries expanded considerably last year. The watch industry and the chemical-pharmaceutical sector, which export approximately 90 per cent or more of their production, made further gains. The machinery industry, which ranks as Switzerland's biggest exporter in terms of value and sells nearly two-thirds of its total output abroad, also improved its export sales. By contrast, the textile industry met with difficulties in foreign markets.

Receipts from invisibles rose once again. The tourist trade declined slightly in 1965, but banks and insurance companies were able to expand their international activities, although they were somewhat handicapped by government restrictions. At the same time, the increase in foreign interest rates derived from the large Swiss investments abroad favourably affected earnings.

GNP Rose

Despite the slowing down of overall economic activity, production rose once again, although the rate of growth was smaller than in 1964. The gross national product in 1965 totalled approximately 60 billion francs,

TABLE I
SWITZERLAND'S FOREIGN TRADE

| | Imports | | | Exports | | |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1963 | 1964 | 1965 | 1963 | 1964 | 1965 |
| Total trade | 13,989 | 15,541 | 15,926 | 10,442 | 11,462 | 12,861 |
| Trade with: | | | | | | |
| EEC countries | 8,956 | 9,637 | 9,996 | 4,416 | 4,638 | 5,121 |
| Per cent of total trade | 64 | 62 | 62.2 | 42.3 | 38.5 | 39.8 |
| EFTA countries | 1,914 | 2,324 | 2,369 | 1,855 | 2,236 | 2,551 |
| Per cent of total trade | 13.6 | 14.9 | 14.8 | 17.7 | 19.5 | 20 |
| West Germany | 4,419 | 4,703 | 4,780 | 1,722 | 1,864 | 2,203 |
| Per cent of EEC trade | 49 | 48 | 48 | 39 | 40 | 43 |
| France | 2,006 | 2,310 | 2,312 | 904 | 998 | 1,053 |
| Per cent of EEC trade | 22 | 24 | 23 | 21 | 22 | 20 |
| Italy | 1,454 | 1,523 | 1,644 | 1,051 | 1,007 | 1,079 |
| Per cent of EEC trade | 16 | 16 | 16 | 24 | 22 | 20 |
| Britain | 927 | 1,113 | 1,158 | 645 | 781 | 900 |
| Per cent of EFTA trade | 48 | 48 | 48 | 35 | 35 | 35 |
| Canada | 139 | 160 | 171 | 146 | 160 | 193 |
| Per cent of total trade | 0.99 | 1.02 | 1.07 | 1.4 | 1.3 | 1.4 |

Source: Swiss Imports and Exports Statistics.

a nominal rise of 8 per cent, compared with a 10 per cent advance in 1964. In real terms, growth was less—about 4 per cent last year compared with 5.1 per cent in 1964. Industrial production, which is at present 50 per cent above the 1958 index level, increased at a somewhat slower rate.

Swiss manufacturers were faced with government measures that limited the size of the labour force, especially from abroad, after a long period of steady increase. This cut-back was designed to hold down the huge influx of foreign workers and resulted in a 3 per cent reduction in the total industrial labour force. For the first time since 1958, the number of foreign workers subject to control was below the level of the previous year.

Exports Up, Imports Static

Foreign trade figures reflect the slowing down of activity in the domestic economy. The most obvious development was that the strong rise in imports in evidence in previous years came to an abrupt end. At 16 billion francs, imports showed little change from the previous year. Exports, on the other hand, again rose sharply to Sfr.12.7 billion, an increase of 11 per cent, and for the first time in Swiss history averaged better than 1 billion francs a month for the entire year.

The deficit on the balance of trade, which hit a record Sfr.4.1 billion in 1964, declined to Sfr.3.1 billion in 1965, a drop of almost 25 per cent.

Europe Major Market

The geographical pattern of Switzerland's foreign trade in 1965 emphasized the vital role played by the rest of Europe, which accounted for nearly 80 per cent of all imports into Switzerland and took over 70 per cent of Swiss exports. Switzerland's trade with members of the European Free Trade Association (EFTA) expanded considerably, particularly on the export side. Austria, Portugal, Sweden and Norway increased their purchases of Swiss products and, despite the surcharge on imports imposed in November 1964, Britain also bought more.

Among the member states of the European Economic Community, West Germany strengthened its position as Switzerland's main market and supplier. Trade with Belgium and the Netherlands also increased in both directions. In contrast, Italy bought more from the Swiss but sold about the same amount; for France, the situation was reversed.

Switzerland's exports to the United States rose by almost 20 per cent but U.S. imports into Switzerland remained about the same as in the previous year. Among other overseas countries, Japan increased its sales

and reduced its purchases and there was a definite decrease in trade with Uruguay, Argentina and Cuba. Trade with Mexico, Canada, Pakistan, Indonesia, Thailand, Iran and Communist China rose. Exports to the Republic of South Africa, India, the Philippines, Venezuela, Peru and the Congo also increased; Swiss purchases from these countries declined. Table I gives the highlights in the pattern of Switzerland's foreign trade.

Table II gives the principal Canadian exports to Switzerland for 1965.

Canadian imports from Switzerland in 1965 included a wide range of manufactured goods and food products; the most important were watches, pharmaceuticals, transformers and generators, cheese and dyestuffs.

The long boom in Switzerland has benefited Canada materially. During the late fifties and in 1960 our ex-

| | (Can.\$) |
|------------------------------|-----------|
| Wheat | 6,540,546 |
| Copper | 3,432,387 |
| Automobiles and parts | 2,514,922 |
| Fur garments | 1,829,913 |
| Raw furs | 1,764,319 |
| Meat and meat products | 1,064,356 |
| Asbestos | 748,700 |
| Machinery and parts | 644,613 |
| Navigation instruments | 570,004 |
| Nickel | 491,080 |
| Wood pulp | 487,815 |
| Office machinery and parts | 456,569 |
| Plastic and synthetic rubber | 403,734 |
| Aircraft engines and parts | 352,560 |
| Zinc | 293,581 |
| Ice skates | 259,672 |

ports to Switzerland varied between \$22 million and \$25 million a year.

Wheat accounted for over half, and metals and non-metallic minerals for most of the remainder.

In 1960 the Swiss Government freed the grain trade. Since that time Swiss wheat production has increased each year. In consequence the former annual 300,000 tons of imports from Canada have been cut steadily to between 100,000 and 200,000 tons a year.

Important and new markets, with sales sometimes running into millions of dollars, have been found in Switzerland for such varied Canadian products as fur garments, motor cars, electronic and other equipment, meat and products, machinery and equipment of considerable variety, nuclear applications, textile products and other department store goods, and specialized fishing products, to mention only a few. ●

Rising incomes are increasing demand for consumer goods in

West Germany: a \$190 Million Market

H. J. HORNE, *Commercial Counsellor, Bad Godesberg.*

WEST GERMANY is Canada's most important trading partner in Continental Europe. In 1965, we sold to the Germans \$189.5 million worth of Canadian goods and bought \$209.6 million worth in return. It is therefore a market worth examining closely by those who wish to export to Europe.

Some Canadian manufacturers whose goods previously were too expensive can now sell to Germany because of rising German domestic prices, the higher disposable incomes, and the 20 per cent increase in imports in the past year. (Nearly a third of these were finished goods.)

Nearly half of the 57 million Germans in the Federal Republic are gainfully employed. In 1965, there was a 4.4 per cent increase in the gross national product which reached

\$121 billion, the second highest in the Western World.

Business is still good, despite a slight slowdown, and first-quarter activity indicates continuing growth in 1966. There is no shortage of money for imports and the few remaining restrictions are minor.

Labour Shortage Continues

There is full employment in Germany; in addition, German industry employs 1.2 million foreign guest workers. In fact, the severe labour shortage is the greatest impediment to further expansion. The exceptionally heavy strain on the labour market has resulted in pressures for larger wage increases, giving rise to much talk of imminent cost-price inflation. In both 1964 and 1965 gross wages and salar-

ies rose by about 10 per cent, and a similar increase is forecast for 1966. Despite these increases, the retail price index rose only 4 per cent in 1965 and the export price index was up only 2 per cent.

Stabilization without Stagnation is the name given to the strong anti-inflationary measures that the German Government and the Bundesbank have applied. The German people have accepted these because they have a deep fear of inflation, having lost their savings twice in one generation.

Trade Picture

Foreign trade is of fundamental importance to highly industrialized Germany, which depends upon exporting a wide array of secondary manufactures and importing necessary raw materials and foodstuffs that

the domestic economy cannot produce.

The lion's share of the increase in German imports in the past year has gone to Germany's Common Market partners, notably France and Italy. This is partly explained by EEC tariff changes and also by a weakening of domestic demand in France and Italy, which has resulted in a strong export push from those countries.

Germany's trade pattern is partly a result of a natural shortage of mineral supplies and partly a reflection on German agriculture. Agriculture produces only 5 per cent of the GNP, even though well over half of the land is used for this purpose.

Canada's Trade with Germany

● *Agricultural Products*—In spite of a frankly protective agricultural policy, agricultural products accounted for 31 per cent of our exports to Germany in 1965. Wheat (\$36.5 million) was our biggest single export, and seeds, canned yellow beans and cherries the next most important agricultural commodities. Rising personal incomes have produced new opportunities in Germany for the sale of high quality unique food products. Future Canadian sales to this large and expanding market for foodstuffs will depend primarily on the final level of protection set by the Common Agricultural Policy and future EEC tariff changes, and on our ability to supply and to compete with other third country suppliers.

● *Minerals and Metals*—Although quota and licensing restrictions have been dropped on nearly the complete range of non-agricultural products, there are renewable special quotas for imports of non-ferrous metals at less than the normal duty. The past year has been a good one for the sale of Canadian unprocessed minerals. Important sales of stainless steel and of lead alloys have also been made. Asbestos continues to be a leading Canadian export to Germany at \$12.5 million in 1965.

● *Forest Products*—Pulp, paper and paper products are now obtaining a secure foothold in the German market and both German and Canadian investment in pulp and paper mills in Canada is looking forward to the 1970's, when it is forecast that



New buildings like that of the "Sparkasse" (Savings Bank) in Düsseldorf are springing up all over West Germany. The six-lane "Berliner Allee" seen here is also new. Both testify to greater national production and rising incomes.

Scandinavian sources of supply will be inadequate to meet European demand. Western plywood and lumber sales, including Maritime spruce, are already beginning to climb.

● *Manufactured Products*—The rapid rise in disposable income means that the German consumer is now demanding a wide range of products not hitherto manufactured in Germany. As a result, the most rapidly expanding segment of the German market is that for fully manufactured consumer

goods. These end products accounted for 44 per cent (\$8.4 billion) of total German imports last year. To try and increase the Canadian share of this consumer goods market, the Department of Trade and Commerce participated in five German trade fairs in 1965 and will be in seven in 1966. The Germans are the most trade fair-conscious buyers in the world and a high proportion of import orders are booked at these fairs. Some examples of Canadian end prod-

ucts which have proved competitive and can be sold in Germany are home heating units, refrigeration equipment, finished fur garments and sporting goods of various types.

● **Energy Fuels**—Germany is experimenting with producing power from various types of atomic reactors, and this makes it an ideal target for Canadian reactor and uranium fuel sales. Canadian suppliers of pipeline equipment, distribution systems and of home and industrial gas-fired equipment should note that natural gas consumption through imports is

expected to jump ahead in the next few years.

How much Canada's exports will increase depends to a large extent on developments within GATT, the outcome of the Kennedy Round negotiations and, of course, the final Common Market tariff structure.

The Department of Trade and Commerce maintains trade offices in Hamburg, the chief importing centre, Duesseldorf, the heart of the Ruhr's heavy industry, and at Bonn, the federal capital. The Trade Commissioners in Germany are ideally located to provide initial and basic infor-

mation, and to follow up by suggesting distribution methods, prospective agents or importers, or customers, if you sell direct. They require from potential exporters adequate descriptive literature, c.i.f. German port prices, preferably in Marks, and an indication of the supply position and time required for delivery. Germany uses the metric system and where possible, measurements should be converted. Remember too to use air-mail and if initial positive answers are received, be prepared to correspond with German firms in their own language, as your competitors do. ●

trade lines



An Austrian steel company has contracted to build a pelletizing plant in Brazil. The plant will be constructed for the Companhia Vale do Rio Doce, at the Port of Tubarão in the state of Espirito Santo. Financing of the project will total \$24 million, of which \$16 million will come from the Inter-American Development Bank and the remainder from the iron ore company—Rio de Janeiro.

France will import up to 5,000 million cubic metres a year of natural gas from the Netherlands. The contract between Gaz de France and the Netherlands Petroleum Company is subject to final approval by the two governments. Imports from the Netherlands will practically double France's natural gas supplies, now provided by Algerian imports and the gas field in Lacq. The Netherlands gas will be pumped through a pipeline to be built through Belgium and Northern France. The first delivery is scheduled for the end of 1967—The Hague.

The approximately 300 computers currently in use in the Netherlands will have to be trebled in the next five years to ensure adequate economic development, according to the Netherlands' State Secretary for Home Affairs. Of the 300 computers, about 100 are used by state offices, state enterprises and universities—The Hague.

Exports of Dutch gas to Belgium will start in 1967. Belgium has officially approved contracts for Dutch

natural gas deliveries for a period of 20 years. Free border prices of gas will be 5.4 Dutch cents per cubic metre for domestic consumption and 4.7 cents for industrial use. The Belgian Government will acquire a majority interest in Distrigaz, the Belgian company which will distribute the gas in Belgium—The Hague.

The Dutch State Mines will build a plant for the commercial production of ethylene propylene copolymers. Synthetic rubbers, including both E.P.T. and E.P. rubbers, will be made by a vulcanization process. Pilot plant research has indicated that the end product is suitable to supply any kind of rubber for automobile tires. Full production is forecast within two years—The Hague.

Aluminum is playing a bigger role in new construction in West Germany. Since 1960, the amount of aluminum used in buildings per year has nearly doubled. Approximately 48,500 tons of light metal, 17.4 per cent over 1964, was used last year—Duesseldorf.

West Germany will soon have one television set for every five persons. As of November 1, 1965, the total number of receivers was over 11 million and growing fast. In October, West Germans bought 110,119 new sets—Bad Godesberg.

West Germany had 2,054 aircraft in 1965, an increase of 12 per cent over 1964. Aircraft with a starting

weight of over 5.7 metric tons increased from 77 to 93. Passenger traffic went up 23.5 per cent to 10.37 million, (inland traffic by 20.4 per cent to 4.39 million people) and total freight by 25.9 per cent to 176,000 metric tons—Bad Godesberg.

Home building in West Germany is continuing at a record high; nearly 592,000 new homes were completed in 1965. This is only 32,000 fewer than in 1964, a postwar record. The tendency towards larger homes (five or more rooms) continues—Duesseldorf.

The West German trend towards one-family houses is continuing. Some 135,000 single-family homes were built in 1965, 2,000 more than in the previous year. The proportion of one-family houses to total new housing rose to 58.2 per cent in 1965 compared with 56.1 per cent in 1964—Bad Godesberg.

Foreign workers in Germany sent home about DM 1,700 million in 1965, DM 400 million more than in 1964. This represents more than one-fourth of the currency that leaves the country—Bad Godesberg.

Mail-order shopping is becoming more popular in West Germany. Mail-order sales of retail goods of the kind found in large department stores increased by 22 per cent in 1965—Bad Godesberg.

A £900,000 cold storage and fish processing factory at Grimsby, Lincolnshire, England, will be built by Associated Fisheries. Work is also progressing on a similar project costing £600,000 at Hull, Lincolnshire. Both plants are being built near the fish docks for speedier transfer of fish frozen at sea—Liverpool.

The Mersey Docks and Harbour Board recently opened a £200,000 Electronic Data Processing centre in Liverpool, England. An IBM 360/30 unit provides in a few minutes solutions to ship movements and shoal positions which previously required two days. The computer will also be used to handle problems such as daily demurrage, payroll, maintenance, costing, stores control and the servicing of a £70 million loan—Liverpool.

An all-electric rail service from London to Liverpool and Manchester began on April 18. The trains cover the nearly 200-mile run at an average speed of 73 miles an hour, and up to 100 in some sections. The new service cuts the travelling time to 2½ hours for the London to Liverpool run and slightly less for London to Manchester. The £175 million scheme was started in 1957—Liverpool.

Crude oil has flowed in Australia at rates ranging from 730 to 930 barrels a day from the Gippsland Shelf

No. 4 well, 27 miles offshore and about 100 miles from Melbourne. Natural gas has accompanied the oil flow, at rates varying from 3.5 million cubic feet a day to 11.5 million. Analysis of flow data and step-out drilling will be necessary to determine the commercial importance of the recoveries—Melbourne.

Union Carbide do Brasil is to invest U.S.\$40.5 million in a petrochemical plant to manufacture ethylene, acetylene and benzene. Located at Cubatao in the State of Sao Paulo it should produce from 73,000 to 128,000 tons of ethylene per year and 16,000 to 36,000 tons of acetylene—Sao Paulo.

Texaco Trinidad Inc. has completed a Can.\$10.25 million normal paraffins plant at its refinery at Pointe-à-Pierre, Trinidad. The plant will produce more than 150 million pounds a year of normal paraffins using a Texaco-developed process. These straight-chain paraffins enable detergents in waste to be consumed readily by bacteria and thus limit foaming and pollution—Port-of-Spain.

Philippine production of fertilizers is expected to increase by about 390,000 metric tons a year with the recent commencement of operations of the \$33 million fertilizer plant of the Esso Standard Fertilizer and Agricultural Chemical Co., Inc. at Limay—Manila.

The world's second International Institute of Tropical Agriculture is to be built in Ibadan, Western Nigeria, at a cost of \$8.1 million. The institute, a joint venture between the Rockefeller and Ford Foundations and the Nigerian Government, will undertake basic research to assist in the agricultural development of tropical areas. Average yearly expenditures are expected to approach a million dollars—Lagos.

An aluminum plant is to be built in the state of Minas Gerais, Brazil, by Industria Nacional de Aluminio at a cost of U.S.\$70 million. British, Japanese and German sources will provide 60 per cent of the investment. The company plans to produce 25,000 tons of aluminum ingot a year, as well as alumina, ferro-alloys, caustic soda, chlorine and hydrochloric acid—Rio de Janeiro.

A U.S. oil company expects to install a \$12 million oil refinery in Puerto Cortes to produce gasoline, kerosene, lubricating oils, asphalt and other combustibles—Guatemala City.

New Zealand increased its imports of lumber and its exports of logs in 1965, but its exports of sawn timber decreased slightly. Imports of sawn and hewn timber, mainly North American softwoods and tropical hardwoods, totalled 35.7 million feet, a 2.5 million increase over the previous year. Roundwood imports, mainly

railway ties, reached 870,035 feet, compared with 650,380 in 1964. Exports of logs (*pinus radiata*) to Japan increased by 2.5 million cubic feet to a record 15.2 million. Exports of sawn timber (mainly *pinus radiata*), principally to Australia, totalled 38.5 million cubic feet, down nearly 2 million from the previous year—Wellington.

Venezuela will pay out \$3.3 million as co-owner of an 80-line submarine cable linking it by telephone to St. Thomas. Moreover, the country will pay \$2,920,000 for rights to use it from St. Thomas to Florida. The total cost of the Venezuela-St. Thomas-Florida cable is estimated at \$18.7 million. The system is expected to be ready by August 1—Caracas.

The Chilean State Railways has received four sets of ultrasonic testing equipment from Germany to be used for checking the condition of axle journals. Much Chilean rolling stock is 50 years old and tests indicated the need for restricting railway services until the defective material is replaced. Chile has obtained foreign credits to cover the purchase of railway equipment abroad—Santiago.

Steel wire will be produced in Singapore by two Japanese firms, Mitsui and Fuji Iron and Steel Company, to meet the 650-tons-a-month domestic demand. Local interests also share in the venture—Singapore.

Israel will replace the present Haifa/Tel Aviv railway tracks with a continuous welded track on concrete sleepers. The track is now composed of 18-metre segments which are connected by welding. The replacing of 20 kilometres of track (12½ miles) is planned for the coming fiscal year. The entire project will cost about \$5 million—Tel Aviv.

A feasibility study for the second-stage enlargement of the Colombian Government steel mill has been completed. The project, which includes the installation of another blast furnace, will require investment of U.S. \$70 million and Ps. 100 million. Work is scheduled for completion by 1970; production then should reach about 500,000 tons per year—Bogota.

A new paper machine at South African Paper and Pulp Industries is designed for speeds up to 2,500 feet per minute, and has a capacity of 250 tons of paper a day. When a groundwood pulp manufacturing plant is completed this year, the company will use the machine to make newsprint for coastal newspapers from Durban to Cape Town. This should enable them to use South-African-produced paper and save the country an estimated Can. \$10 million in foreign exchange—Cape Town.

The Iranian Government is considering building a sub-way between Tehran and Shemiran (10 kilometers). Two firms, one German and one French, have submitted proposals, and both have offered to finance 75 per cent of the project; the remaining 25 per cent would come from the Iranian Government. Cost is estimated at 3,000 million Rials. For the first 25 years the profits would be divided 50/50; in the next 25 years Iran would receive 75 per cent—Tehran.

Work will begin shortly on a \$19 million development of the Port of Nassau. Planned improvements include two breakwaters (one 3,000 feet in length and the other 700), dredging of the main channel into the harbour and the turning basin to a depth of 36 feet, and the building of a new pier and terminal building. All but the largest liners will be able to use the port—Kingston.

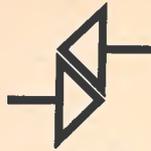
South Africa's wheat harvest is expected to be down this year. Reports indicate that the 1965-66 harvest will come to 8,080,000 bags of 200 pounds each compared with 11,845,000 bags in 1964-65. The country will probably import wheat this year as a result. The maize harvest is estimated at 47,779,000 bags of 200 pounds each, compared with 47,167,000 bags in the previous year. Japan is South Africa's best maize customer—Cape Town.

Reforestation is getting solid Federal backing in Australia. The Government recently announced that it would offer the State Governments about Can.\$24 million in long-term loans over the next five years to help them increase the rate of planting government-owned softwood plantations. The loans would be free of interest for the first 10 years because of the long period between planting and profitable cutting. Imports of timber and other forest products now cost Australia more than Can.\$240 million each year. New Zealand, Canada and the United States are major suppliers—Melbourne.

Peru has established a national bank, the "Banco de la Nacion". The institution will act as a tax collecting agency, taking over this responsibility from the Caja de Depositos y Consignaciones. It will also be responsible for the issue, purchase and sale of bonds, and will be the receiver of deposits from government bodies. Initial capital is 500 million Soles—Lima.

Seven fertilizer factories will be set up in Brazil near Sao Paulo and close to the Cubatao oil refinery and the COSIPA steel mill. The Phillips Petroleum Company of the U.S. will provide 44 per cent of the investment, estimated at U.S.\$58.2 million. The remainder will be raised in Brazil—Sao Paulo.

foreign tariffs and trade regulations



Argentina

PAPER IMPORTS—On April 25, 1966, the Argentine Government issued Decree No. 2830-66 establishing a temporary additional 5 per cent surcharge on paper imported from several Latin American countries. From the date of the decree to December 31, 1966, imports of water-line paper used for newspapers, magazines and printing of books, originating in and/or shipped from Brazil, Colombia, Chile, Ecuador, Mexico, Paraguay, Peru and Uruguay, is subject to the payment of an additional 5 per cent surcharge on its c.i.f. value.

Exception is made for shipments afloat up to April 25, 1966, and those covered by irrevocable letters of credit. These letters of credit, however, cannot be postponed, extended or modified—Buenos Aires.

PESO DEVALUED—Effective May 30, 1966, the new rates set for the Argentina peso are 202 and 205 to the U.S. dollar, buying and selling respectively. The previous rates were 188 and 205. This is the seventh devaluation in two years.

In order to offset increased cost of imports, prior deposits have been reduced from 50 to 40 per cent.

Brazil

LIMIT ON PURCHASE OF FOREIGN EXCHANGE ELIMINATED—The limit on the amount of foreign exchange purchased to pay for imports has been eliminated. Previously the limit was U.S.\$50,000 per week for any one firm. Prior deposits and "guarantee deposits" have already been removed.

Central American Common Market

GUATEMALA AND NICARAGUA ADOPT COMMON CUSTOMS CODE—As the next step toward a customs union in Central America, the Central American Common Market has drawn up a Central American Common Customs Code and Regulations for it. Guatemala has adopted the Code and its Regulations from May 1, 1966, and Nicaragua will adopt them in June. It is expected that the remaining three members will soon follow suit.

Sections 5.02 and 5.03 of the Regulations for the Central American Common Customs Code are of interest to Canadian exporters.

SECTION 5.02

Documents that should be presented with customs entry:

(A) Bill of Lading

(1) For all imports by steamship, one original and one copy of the bill of lading should be presented to the Customs authorities.

(2) The above-mentioned bill of lading must contain the following information:

- (a) name of vessel
- (b) registry and tonnage
- (c) full name and address of the master of the vessel
- (d) the names, type of company or denomination of the shippers and consignees
- (e) port of origin and port of discharge of the merchandise
- (f) nature, class, quantity, numbers and marks of the packages
- (g) gross weight in kilograms
- (h) type of steamship freight contracted
- (i) place and date document was issued
- (j) signature of carrier
- (k) signature of shipper.

(3) Omission of information requested in sections a), d), e), f), g) and h) of the foregoing article will be subject to fine as prescribed within the limits of article 149 of the Central American Common Customs Code (from U.S.\$5 to U.S.\$100). Nevertheless, the consignee is obliged to provide such information.

(4) Bill of lading may be "to bearer", "nominative" or "to order". The nomination "to bearer" gives the right to the person bearing the bill of lading to withdraw the merchandise from Customs; the so-called "nominative" term refers to the name stipulated in the document as consignee; and "to order" to the person whose name appears after such expression or to the one to whom it has been endorsed. If the consignment is simply "to order" without being followed by any name, it is understood that it is the forwarder or shipper. If the bill of lading is endorsed in blank, it is understood that the consignment is "to bearer".

(B) Waybill

(1) For all imports by air freight and by highway, two copies of the waybill, commonly known as the air waybill or the truck waybill, should be presented to the Customs authorities.

(2) The waybill mentioned in the foregoing article must contain the following information:

- (a) name, address and type of company or denomination of the shipper and carrier
- (b) name, type of company or denomination of the straight consignee or the person to whose order merchandise is consigned; or whether the merchandise is to be delivered to the shipper
- (c) the nature of the merchandise, its weight and the marks or signs shown on the outer part of the packing

- (d) the value and shipping expenses, the tariff assessed, and whether the freight has been prepaid or is to be collected
- (e) place and date document was issued
- (f) place and date delivered to carrier
- (g) place and term of delivery to consignee
- (h) mention of means of conveyance and routing to be followed
- (i) compensation due to the consignee in case of delay, should it be contracted in this manner, and
- (j) specification that such document is a waybill (carta de porte).

(3) Omission of information requested in sections b), c), d), e) and h) of the foregoing article will be subject to fine as prescribed within the limits of article 149 of the Central American Common Customs Code (U.S.\$5 to U.S.\$100). Nevertheless, the consignee must provide such information. The waybill is to be made out either to consignee, to order or to bearer. The interested parties may request copies of the waybill which have such indication.

(C) Commercial Invoice

(1) Original and copy of commercial invoice must be produced at the Customs House to cover all imported merchandise in the official language (Spanish).

(2) The commercial invoice must contain the following information:

- (a) name, type of company or denomination of the exporter and address of same
- (b) place and date document was issued
- (c) name, type of company or denomination of the importer and address of same
- (d) marks, number, type and quantity of packages
- (e) contents of each package with description of the merchandise with specification of its nature or in any case, its commercial name, in order to enable all concerned to apply the proper classification code
- (f) commercial references, codification or model and serial numbers with which the exporters identify their cargoes
- (g) gross weight, legal and net weight of the merchandise and, in each case, quantity, measurements or the necessary detail of each unit or units to be used as the basis for the application of import duties
- (h) f.o.b. and c.i.f. values of the merchandise, including details of expenses
- (i) country of origin of the merchandise
- (j) signature of the exporter.

(3) Omission of any of the information requested in the foregoing article will be subject to fine as prescribed within the limits of article 149 of the Central American Common Customs Code (U.S.\$5 to U.S.\$100). Nevertheless, the consignee must provide such information.

(4) When insurance is contracted in the exporter's country or in any of the signatory countries of this Code, importers will be permitted to present a declaration containing the value of the same. When it refers to imports by air, the declaration mentioned above may contain the relative details of insurance and/or transportation and other expenses in order to establish the c.i.f. value of the goods. In both cases, such declaration will be considered as part of the commercial invoice. In the situations mentioned, no sanction will be imposed.

(5) If commercial invoices contain false information about the nature of the merchandise, its value or quantity, the consignee is liable to a fine as prescribed within the limits of article 149 of the Central American Common Customs Code (U.S.\$5 to U.S.\$100), in addition to the penalties provided by the laws which forbid smuggling or defrauding of fiscal interests.

SECTION 5.03

Legalization of shipping documents—Commercial invoices and bills of lading must be legalized by competent consular officials when required by the laws regulating the consular services. Contravention will be penalized in accordance with the relative laws.

Certificates of origin are no longer required for shipments from Guatemala because this information is now contained in the commercial invoice.

Dominican Republic

IMPORT CHARGES CONSOLIDATED ON INDUSTRIAL EQUIPMENT—Our Trade Commissioner in Santo Domingo has informed us that Law 242 consolidated all import charges on industrial and agricultural equipment into one duty of 5 per cent of f.o.b. value. Vehicles are specifically excluded.

All equipment covered in general construction, agriculture, railway electrical systems, printing, product refining and manufacturing, including forestry and medical products are exempt from the 80 per cent import deposit.

Canadian exports to the Dominican Republic of goods in this class totalled \$144,000 in 1964 and \$23,000 in 1965. We expect to have details of Law 242 on file in Ottawa within a few days.

South Africa

IMPORT PERMITS 1966—The Minister of Economic Affairs has authorized the following additional import allocations for 1966. (See *Foreign Trade*, issue of February 5, 1966, page 34 for initial allocations.)

Raw Materials—No change will be made in the basis on which manufacturers obtain their requirements of imported raw materials. These allocations will continue to be based on consumption and manufacturers may apply for additional permits at any time their stocks of imported raw materials fall below four months' consumption.

The 1966 allocations for merchants importing raw materials will now be based on 75 per cent of their 1964 imports. As these merchants have in most instances received an initial 1966 allocation of 50 per cent of such imports, they may now apply for the difference between what they have already received for 1966 and 75 per cent of their 1964 imports.

Merchant importers of textile piecegoods will now have their 1966 allocations brought into line with the levels of their 1965 imports.

Office Equipment—Importers of office equipment, including computers, will also receive an additional 25 per cent of their 1964 imports, thus making their 1966 allocations equal to 75 per cent of their 1964 imports.

Consumer Goods—The allocations for importers of these types of consumer goods specified in Section 4 of the initial allocations will also be made equal to 75 per cent of their 1964 imports. The initial allocation for 1966 was 50 per cent of such imports, so they may now apply for the difference.

The additional allocation for consumer goods not specified in Section 4 of the initial allocations will be 20 per cent of an importer's assessment basis, thus making the allocation for 1966 equal to 50 per cent.

Capital Goods—For capital goods with an f.o.b. cost not exceeding \$1,500, a further allocation of 25 per cent of an importer's 1964 imports will be made, thus making his total allocation for the year equal to 75 per cent of his 1964 imports.

No stock allocation will be made for items of plant and equipment with an f.o.b. price in excess of \$1,500, but applications will continue to be dealt with on an individual basis of essentiality as at present.

Talks are still proceeding on the need to import structural timber.

The Minister has emphasized once more the need for both merchants and manufacturers to obtain their requirements from local manufacturing sources wherever this is possible. He also announced a further review of the position, probably in August.

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, Montreal, Ottawa, Winnipeg, Edmonton and Vancouver, Department of Trade and Commerce; Fredericton, Department of Industry.

Britain—E. L. Bobinski, Assistant Commercial Secretary in London, who will be posted to Manila, Philippines, as Consul and Assistant Trade Commissioner:

Vancouver—June 30

Colombia—J. C. Bradford, Assistant Commercial Secretary in Bogota, who will be posted to Cleveland, Ohio, as Vice Consul and Assistant Trade Commissioner:

Montreal—June 27-30
Toronto—July 4-6

Niagara Falls,
St. Catharines—July 7
Hamilton—July 8

Germany—W. F. Hillhouse, Commercial Counsellor (Agriculture) in Bad Godesberg, who will be posted to Washington with the same title:

Toronto—July 6-8

Winnipeg—August 25-26

Hong Kong—R. K. Thomson, Senior Trade Commissioner in Hong Kong, who will be transferred to Duesseldorf, West Germany, as Consul:

Winnipeg—June 29

Montreal—September 6-7

India—W. G. Roberts, Assistant Commercial Secretary in New Delhi:

Toronto—July 27-29

Montreal—August 1-3

Italy—J. H. Stone, Commercial Counsellor in Rome:

Montreal and Toronto—September 6-16

Lebanon—V. G. Lotto, Assistant Commercial Secretary in Beirut, who will be posted to San Francisco, California, as Vice Consul and Assistant Trade Commissioner:

Toronto—June 27-30

New Zealand—C. A. Carruthers, Assistant Commercial Secretary in Wellington, who will be posted to Boston as Vice Consul and Assistant Trade Commissioner.

Winnipeg—June 29-30

Hamilton—July 11-12

Toronto—July 4-8

Montreal—July 13-22

Pakistan—R. D. Sirrs, Commercial Secretary in Karachi, who will be posted to Guatemala City as Commercial Secretary:

Montreal—June 24-30

Winnipeg—August 11-12

Toronto—July 4-8

Calgary—August 15

Hamilton—July 8

Vancouver—August 17-19

United States—W. R. Hickman, Commercial Counsellor (Agriculture) in Washington, who will be posted to Copenhagen, Denmark, with the same title:

Vancouver—September 1-2

Delhi—September 9

Winnipeg—September 6

Montreal—September 26

Toronto—September 7-8

W. A. Stewart, Consul and Trade Commissioner in Boston, who will be posted to Santo Domingo, Dominican Republic, as Commercial Secretary:

Florenceville—July 28

Lunenburg—August 5

Fredericton—July 29

St. John's—August 7-12

Halifax—August 3-4

K. D. Taylor, Consul and Assistant Trade Commissioner in Detroit, who will be posted to Karachi as Assistant Commercial Secretary.

Peterborough—July 18-19

Winnipeg—August 8-9

Montreal—August 4-5

Vancouver—August 22

U.S.S.R.—W. J. Collett who will be posted to Moscow as Commercial Secretary:

Winnipeg, Toronto, Montreal—August 15-19

Temporary Duty in Ottawa

R. C. Anderson, Consul and Trade Commissioner in Manila, Philippines, August 8-19. Contact Asia and Middle East Division, phone: 992-5642.

M. B. Blackwood, Commercial Counsellor in Mexico City, September 6-20. Contact Latin American Division, phone: 992-7641.

G. A. Browne, Commercial Counsellor in Stockholm, Sweden, July 4-15. Contact European Division, phone: 992-8727.

L. D. Burke, Commercial Secretary in Kingston, Jamaica, September 6-9. Contact Commonwealth Division, phone: 992-2421.

C. A. Carruthers, Assistant Commercial Secretary in Wellington, New Zealand, July 25-August 5. Contact Commonwealth Division, phone: 992-2421. Mr. Carruthers will be posted to Boston as Vice Consul and Assistant Trade Commissioner.

W. J. Collett, who will be posted to Moscow, U.S.S.R., as Commercial Secretary, August 22-26. Contact European Division, phone: 992-8727.

R. M. Dawson, Commercial Secretary in Madrid, Spain, July 5-15. Contact European Division, phone: 992-8727. Mr. Dawson will be posted to San Francisco as Consul and Trade Commissioner.

J. E. G. Gibson, Assistant Commercial Secretary in Mexico City, June 13-July 15. Contact Latin American Division, phone: 992-7641. Mr. Gibson will be posted to Canberra, Australia, as Assistant Commercial Secretary.

W. R. Hickman, Commercial Counsellor (Agriculture) in Washington, September 12-23. Contact United States Division, phone: 992-5175. Mr. Hickman will be posted to Copenhagen, Denmark, with the same title.

W. F. Hillhouse, Commercial Counsellor (Agriculture) in Bad Godesberg, June 19-30. Contact European Division, phone: 992-8727. Mr. Hillhouse will be posted to Washington with the same title.

V. G. Lotto, Assistant Commercial Secretary in Beirut, Lebanon, July 4-15. Contact Asia and Middle East Division, phone: 992-5642. Mr. Lotto will be posted to San Francisco as Vice Consul and Assistant Trade Commissioner.

J. E. Montgomery, Commercial Secretary (Agriculture) in Paris, France, July 18-29. Contact European Division, phone: 992-8727.

F. M. Mulkern, Assistant Commercial Secretary in Singapore, August 2-12. Contact Commonwealth Division, phone: 992-2421. Mr. Mulkern will be posted to Madrid, Spain, as Assistant Commercial Secretary.

J. H. Nelson, Commercial Secretary in Guatemala City, November 18-December 1. Contact Latin American Division, phone: 992-7641. Mr. Nelson will be posted to Liverpool, England, as Trade Commissioner.

R. L. Richardson, Commercial Secretary in Sydney, Australia, July 5-22. Contact Commonwealth Division, phone: 992-2421. Mr. Richardson will be posted to Ottawa.

W. G. Roberts, Assistant Commercial Secretary in New Delhi, India, July 13-20. Contact Commonwealth Division, phone: 992-2421.

J. H. Stone, Commercial Counsellor in Rome, June 28-30 and September 19-23. Contact European Division, phone: 992-8727.

K. D. Taylor, Consul and Assistant Trade Commissioner in Detroit, July 20-August 3. Contact United States Division, phone: 992-5176. Mr. Taylor will be posted to Karachi, Pakistan, as Assistant Commercial Secretary.

R. K. Thomson, Senior Trade Commissioner in Hong Kong, September 8-23. Contact Commonwealth Division, phone: 992-2421. Mr. Thomson will be posted to Duesseldorf, West Germany, as Consul.

In Territory

Barbados—D. H. Clemons, Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Barbados July 4-9.

Chile—Z. W. Burianyak, Assistant Commercial Secretary in Santiago, will visit La Serena, Antofagasta, Iquique and Arica July 11-18.

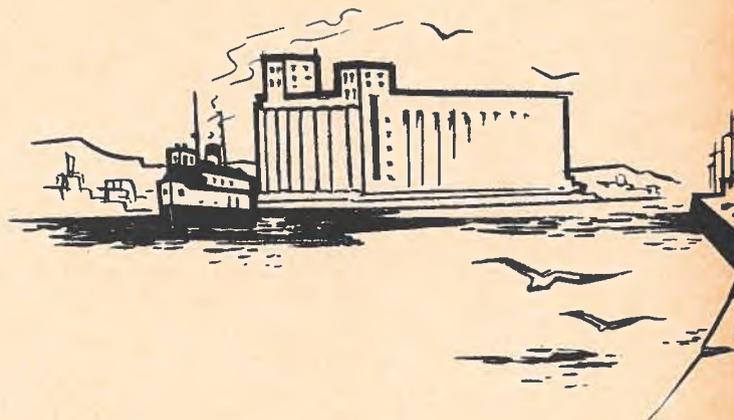
Korea—R. A. Food, Assistant Commercial Secretary in Tokyo, Japan, will visit Korea July 4-8.

South West Africa—D. H. Leavitt, Assistant Trade Commissioner in Cape Town, South Africa, will visit Windhoek, Swakopmund and Walvis Bay July 13-20.

Michigan—H. S. Hay, Consul and Trade Commissioner in Detroit, will visit the entire northern peninsula of the State and the northern part of the southern peninsula June 24-30.

Thailand—J. H. Bailey, Commercial Counsellor in Singapore, will visit Bangkok August 1-5.

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, 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 .92858

Foreign Exchange Rates

| Country | Unit | Type of Exchange | Can. dollar equivalent June 13 | Units per Canadian dollar | Notes (see below) |
|---------------------------------------|-----------------|---------------------|-----------------------------------|---------------------------------|----------------------|
| Algeria | Dinar ..... | ..... | .2198 | 4.56 | |
| Argentina | Peso | Free | .0053 | 188.68 | |
| Australia | Dollar ..... | ..... | 1.2019 | .8320 | |
| Austria | Schilling ..... | ..... | .0417 | 23.98 | |
| Bahamas | Pound ..... | ..... | 3.005 | .33 | |
| Belgium and Luxembourg | Franc ..... | ..... | .0216 | 46.25 | |
| Bermuda | Pound ..... | ..... | 3.005 | .33 | |
| Bolivia | Peso ..... | ..... | .0915 | 10.92 | |
| Brazil | Cruzeiro | Official Free | .0005 | 2,053.39† | |
| Britain | Pound ..... | ..... | 3.005 | .33 | |
| British Honduras | Dollar ..... | ..... | .7515 | 1.33 | |
| Burma | Kyat ..... | ..... | .2261 | 4.42 | |
| Ceylon | Rupee ..... | ..... | .2254 | 4.42 | |
| Chile | Escudo | Bank rate | .2716 | 3.59 | |
| | | Free | .2326 | 4.29 | |
| Colombia | Peso | Free | .0619 | 16.42 | |
| | | Certificate | .1197 | 8.40 | |
| Congo, Republic of | Franc ..... | ..... | .0072 | 139.50 | (1) |
| Costa Rica | Colon ..... | ..... | .1625 | 6.15 | |
| Cuba | Peso ..... | ..... | † | † |  |
| Czechoslovakia | Koruna ..... | ..... | .1496 | 6.68 | |
| Denmark | Krone ..... | ..... | .1558 | 6.41 | |
| Dominican Republic | Peso ..... | ..... | 1.077 | .93 | |
| Ecuador | Sucre | Official | .0598 | 16.72 | |
| | | Free | .0508 | 19.93 | |
| El Salvador | Colon ..... | ..... | .4308 | 2.32 | |
| Fiji | Pound ..... | ..... | 2.7069 | .37 | |
| Finland | Markka ..... | ..... | .3365 | 2.97 | |
| France, Monaco, etc. | Franc ..... | ..... | .2198 | 4.56 | (2) |
| Franco-African Republics, etc. ... | Franc ..... | ..... | .0044 | 227.79 | (3) |
| French Pacific | Franc ..... | ..... | .0121 | 82.64 | (4) |
| Germany | D Mark ..... | ..... | .2688 | 3.69 | |
| Ghana | Cedi ..... | ..... | 1.2520 | .80 | |
| Greece | Drachma ..... | ..... | .0359 | 27.86 | |
| Guatemala | Quetzal ..... | ..... | 1.077 | .93 | |
| Guyana | Dollar ..... | ..... | .6260 | 1.60 | |
| Haiti | Gourde ..... | ..... | .2154 | 4.64 | |
| Honduras | Lempira ..... | ..... | .5384 | 1.86 | |
| Hong Kong | Dollar ..... | ..... | .1878 | 5.30 | |
| Hungary | Forint | Official | .0921 | 10.86 | |

†The Cruzeiro was devalued November 16, 1965; the Central Bank of Brazil is expected to issue soon the new cruzeiro. One new cruzeiro will then equal one thousand old cruzeiros.

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

| Country | Unit | Type of Exchange | Can. dollar equivalent June 13 | Units per Canadian dollar | Notes (see below) |
|---------------------------|---------|------------------|-----------------------------------|---------------------------------|----------------------|
| Iceland | Krona | Official | .0250 | 40.00 | (1) |
| India | Rupee | | .1436 | 6.96* | |
| Indonesia | Rupiah | | # | # | |
| Iran | Rial | | .0142 | 70.30 | |
| Iraq | Dinar | | 3.0135 | .33 | |
| Ireland | Pound | | 3.005 | .33 | |
| Israel | Pound | | .3590 | 2.78 | |
| Italy | Lira | | .0017 | 581.06 | |
| Japan | Yen | | .0030 | 335.37 | |
| Lebanon | Pound | Free | .3478 | 2.87 | |
| Malaysia | Dollar | | .3518 | 2.84 | |
| Mexico | Peso | | .0862 | 11.61 | |
| Morocco | Dirham | | .2154 | 4.65 | |
| Netherlands | Florin | | .2975 | 3.38 | |
| Netherlands Antilles | Florin | | .5710 | 1.75 | |
| New Zealand | Pound | | 2.9940 | .33 | |
| Nicaragua | Cordoba | | .1538 | 6.50 | |
| Nigeria | Pound | | 3.005 | .33 | |
| Norway | Krone | | .1505 | 6.64 | |
| Pakistan | Rupee | | .2254 | 4.42 | |
| Panama | Balboa | | 1.0769 | .93 | |
| Paraguay | Guarani | Free | .0091 | 109.89 | |
| Peru | Sol | Free | .0401 | 24.94 | |
| Philippines | Peso | Free | .2767 | 4.41 | |
| Poland | Zloty | Fixed-basic rate | .0448 | 22.32 | |
| Portugal & Colonies | Escudo | | .0375 | 26.66 | (5) |
| Sierra Leone | Leones | | 1.5087 | .66 | |
| South Africa | Rand | | 1.5024 | .67 | |
| Spain and Dependencies | Peseta | | .0180 | 55.55 | |
| Sweden | Krona | | .2088 | 4.79 | |
| Switzerland | Franc | | .2495 | 4.00 | |
| Syria | Pound | Controlled rate | .2817 | 3.55 | |
| Thailand | Baht | Free | .0525 | 19.12 | (1) |
| Tunisia | Dinar | | 2.0622 | .49 | |
| Turkey | Lira | | .1197 | 8.35 | (1) |
| United Arab Republic | Pound | Official | 2.4768 | .40 | |
| United States | Dollar | | 1.0769 | .9286 | |
| Uruguay | Peso | Free | .0169 | 60.90 | |
| Venezuela | Bolivar | Official Free | .2397 | 4.17 | |
| West Indies | Dollar | | .6260 | 1.60 | (6) |
| Yugoslavia | Pound | | 3.0047 | .33 | (7) |
| | Dinar | Official | .0862 | 11.61 | |

*The Indian rupee was devalued on June 5, 1966.

#As Indonesia is no longer a member of the IMF, a realistic exchange rate is not available.

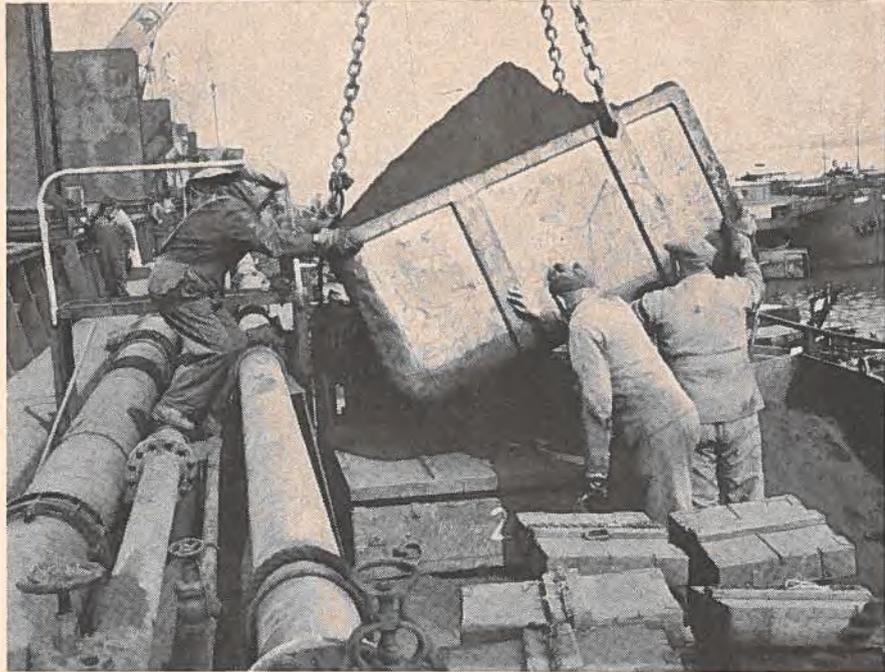
Notes

1. Additional rates are in effect.
2. Franc is also used in French Guiana, Guadeloupe and Martinique.
3. 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.
4. New Caledonia, New Hebrides, French Polynesia.
5. Portugal; approximately same rate for Portuguese territories in Africa.
6. Barbados, Trinidad and Tobago, Leeward and Windward Islands.
7. Jamaica.

European Markets



In Holland—An architectural feature of this 280-foot-high radio tower is the design created by stainless steel fins from a Canadian subsidiary in Europe. The steel was chosen for its ability to resist corrosive elements in the air.



In Belgium—This scoop of Canadian concentrate is lifted from the hold of the "M. J. Boylen" of Saint John, New Brunswick, at the Antwerp docks.

In Spain—These calves formed part of a Canadian shipment of breeding cattle delivered to the Spanish Government at Vigo last September. Destined for a livestock improvement program in that country, they were born during the voyage.



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