

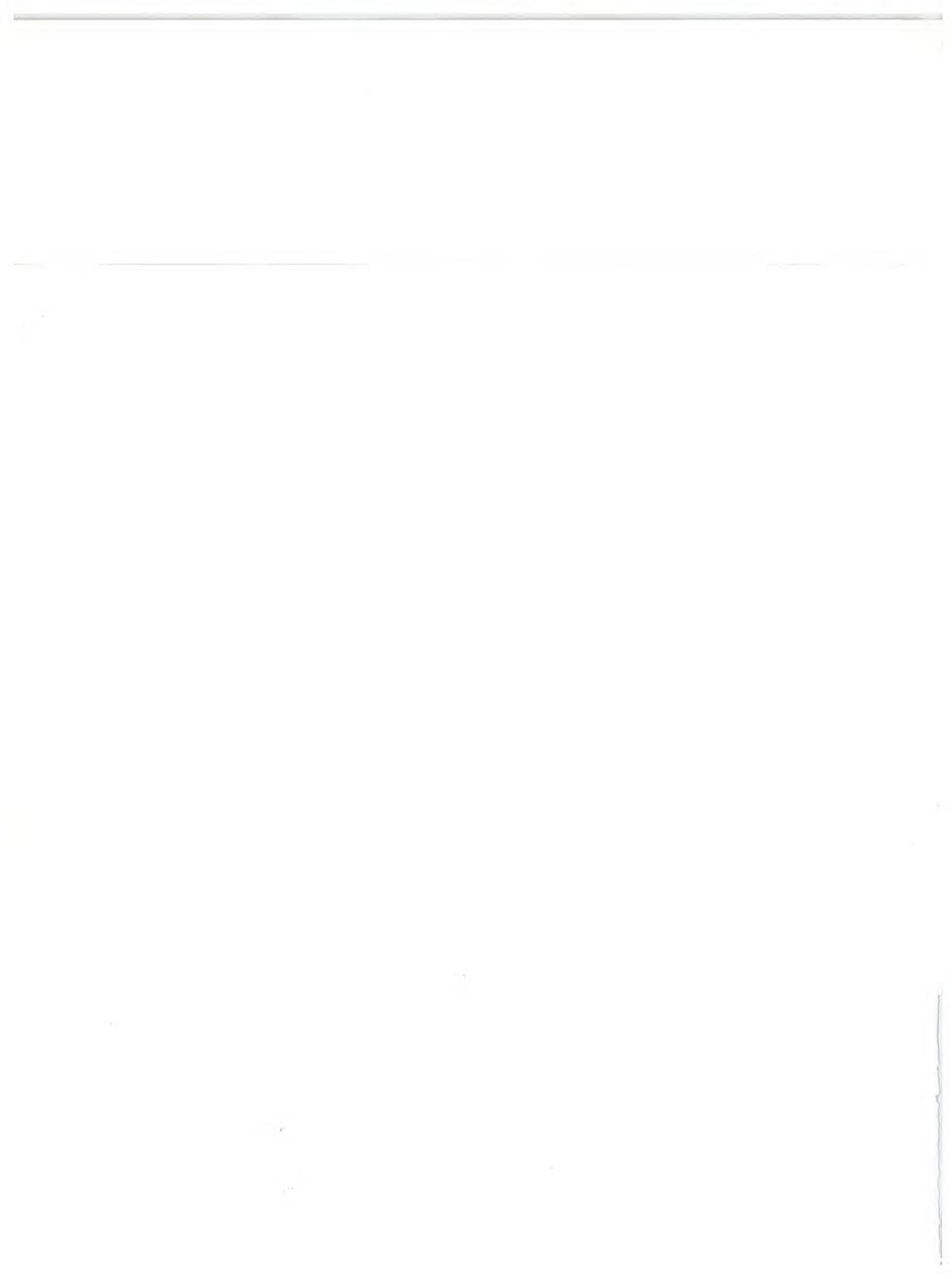
**NOVEMBER 11. 67**

# **FOREIGN TRADE**

**DEPARTMENT OF TRADE AND COMMERCE, OTTAWA**



**The EEC Continues Its Development**



# FOREIGN TRADE

NOVEMBER 11, 1967

Vol. 128 No. 10

*COVER: The picture on our cover, which introduces a feature on the EEC countries, symbolizes the interesting blend of the traditional and the modern in Western Europe. In the background are windmills, used for centuries in the Netherlands as a source of power. The foreground shows the laying of a natural gas transmission line. The pipes are welded together in 1,500 metre lengths above ground, then joined to other units below ground. The trench is eventually filled in and the landscape restored to its original condition.*

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# The EEC Continues Its Development

Next July 1, the Common External Tariff goes into effect in our third largest export market, the EEC countries. Two-fifths of the Kennedy Round reductions will be reflected in the rates then applied.

EUROPEAN DIVISION,  
*Office of Trade Relations.*

IN MARCH 1967 the tenth anniversary of the signing of the Treaty of Rome which established the European Economic Community was celebrated. This year also saw the successful conclusion of the Kennedy Round negotiations and the continued development of the Community's institutions. On July 1, 1968, tariffs on individual goods traded between member countries, which have been progressively reduced since January 1, 1959, will be abolished entirely. National tariffs applying to trade with non-member countries will be replaced by a single set of customs duties for the EEC as a whole, known as the Common External Tariff (CET). This will mark a significant stage in the development in Western Europe of a single mass market of nearly 200 million people with a rising standard of living and a growing economic potential.

## **Community's Trade Has Expanded**

The EEC has become the world's largest trading unit. Its internal trade has risen spectacularly since 1958—from \$6.8 billion in that year to \$23.2 billion in 1966. This expansion of trade within the Community has been accompanied by a marked increase in its trade with the rest of the world.

Imports from third countries reached \$31.2 billion in 1966 compared with \$16.2 billion in 1958, a rise of 93 per cent. Exports increased by 85 per cent during that period—to \$29.5 billion in 1966 from \$15.9 billion nine years ago.

Not all the economic expansion within the EEC can be attributed to the creation of the Common Market, but the impressive growth in trade between the six countries themselves and between the EEC and the rest of the world has been an important contributing factor in this rapid expansion. Economic growth in 1966 was slightly less than 4 per cent, about the same as in previous years and lower than the ten-year average.

## **Third Largest Market**

The EEC is Canada's third largest export market. In 1966, Canadian exports to the EEC countries amounted to \$636.7 million, an increase of \$11 million over 1965. Reduced sales of wheat and aluminum in 1966 were responsible for the fact that this was the smallest annual increase in our sales to the EEC in recent years. Exports of agricultural products accounted for \$218.0 million, industrial materials for \$318.6 million, and manufactured goods for the remainder, almost \$100 million. To offset smaller sales of certain goods there were increases in exports of barley, flaxseed, metal ores and concentrates, and

wood pulp and sales of prefabricated houses rose from \$257,000 in 1965 to \$2.3 million last year.

Germany was Canada's most important customer in the Common Market in 1966, with exports valued at \$176.8 million. Then came the Netherlands (\$143.1 million), Belgium-Luxembourg (\$117.5 million), Italy (\$114.7 million), and France (\$84.5 million). Sales to Italy increased by \$21.5 million over 1965 and almost doubled the 1964 figure. Imports into Canada from the Common Market countries last year totalled \$550.6 million, an increase of \$36.4 million over the previous year.

## **Economic Program Set Up**

The material success of the first ten years of the European Economic Community has been appreciable. However, much remains to be done by the Community to develop and consolidate common economic policies. In this connection, a medium-term economic program was approved at a meeting of the Council of Ministers of the EEC early this year. The program does not attempt to spell out detailed targets for either the EEC as a whole or for individual sectors, but it does lay down guidelines which constitute a framework for economic policy-making. Provision is made to review the program annually in the light of cyclical business and economic changes.



—Cliche C.G.T. photo

Grand Place in the heart of Brussels, where many EEC institutions are located.

### Kennedy Round Concluded

The Kennedy Round trade and tariff negotiations, successfully concluded in June after nearly four years of difficult bargaining, was one of the most important events in recent years, not only for the EEC but also for its trading partners.

The EEC was one of the major participants in the Kennedy Round and the concessions which it granted are important to Canadian exporters. Before the Kennedy Round, the duties imposed by the EEC countries on in-

dustrial products averaged about 15 per cent. As a result of the negotiations, in which reductions of 50 per cent were agreed to over a wide range of items, the level of the final external tariff of the Common Market on manufactured goods will be less than 10 per cent ad valorem. Cuts of one-half were also conceded on most chemical items, although the full implementation of these reductions by the EEC depends upon elimination by the United States of its pricing system for benzenoid chemicals known as the American selling price. The EEC

tariffs on steel and non-ferrous metals and their manufactures were somewhat reduced. However, the EEC was not prepared to reduce tariffs on lead, zinc and aluminum, although it did bind an annual quota of 130,000 tons of aluminum at 5 per cent.

In the forest products sector, the tariff on pulp was reduced by half, bringing the rate down to 3 per cent, and the existing duty-free quota of nearly two million tons per year was maintained. There were also significant cuts in a number of paper items, including kraft paper, liner board, and fine paper. Although the EEC did not reduce the tariff on newsprint, it has bound an annual duty-free quota of 625,000 metric tons. Most duties on finished lumber are to be cut in half.

On the agricultural side, the Kennedy Round results, although useful, did not match the scope of concessions made in other areas. However, the EEC, as one of the world's leading markets for cereals as well as an important producer, will participate in the cereals arrangement. This agreement calls for a higher wheat price on the world market and an undertaking by the participants to contribute to a food-aid program for developing countries. The cost of this plan is to be shared between major grain exporters and importers. Beneficiary countries will receive 4½ million tons per year under this arrangement.

### Common Agricultural Policy

The adoption of a common policy in agriculture (CAP) has been an important element in the formation of the European Economic Community. In fact, it represents perhaps the most significant attainment in the development of the Community to this date. The system for agriculture which provides for a common organization for the marketing of agricultural products is scheduled for full implementation in 1968, at which time it will cover 90 per cent of the Community's total farm output, including grains, rice, pigmeat, beef and veal, eggs and poultry, milk and dairy products, fruits and vegetables, wine, sugar, and vegetable fats and oils. (By July 1, 1967, the single market organization had already been extended to grains, oilseeds, pigmeat, eggs and

poultry, olive oil and most fruits and vegetables.) From now on, products coming under the CAP may be sold freely throughout the Common Market, with producers in all member states receiving uniform prices. For the principal products, imports from third countries are subject to levies which bring their prices up to the EEC's uniform price levels. Market support measures and subsidies on exports are now met from the European Agricultural Guidance and Guarantee Fund. The Fund's resources are provided partly by the levies on agricultural imports collected by national governments, and partly by direct contribution from the national budgets.

Implementing regulations must be adopted before July 1, 1968, to complete the organization of the market for dairy products, beef and veal, and sugar. Between now and 1970, the timetable for implementation requires the Six to formulate common policies for certain products not already covered, including tobacco and fisheries and horticultural products.

### Executive Bodies Merged

Another major step during 1967 was the merger of the executive bodies of the three European communities (the European Economic Community, the European Coal and Steel Community, and the European Atomic Energy Community) into one 14-man commission. The stage is now set for the merger of the three Communities themselves, and this would mean the negotiating of a new treaty. The fusion of the executive is leading to a centralization of the Community institutions.

### Adjusting to Customs Union

With the coming into being of the customs union on July 1, 1968, the EEC will have a busy period before it. The Customs administrations of France, Germany, Italy and Belgium-Netherlands-Luxembourg (Benelux) will be heavily engaged in instituting changes in the administration brought about by the introduction of the Common External Tariff and the accompanying customs regulations which are intended to apply to imports from third countries into the EEC.

When the Common External Tariff comes into force on July 1, 1968, it

is expected that two-fifths of the Kennedy Round reductions agreed to by the EEC will be reflected in the rates applied on that date. The remaining three-fifths of the reductions will be implemented, it is anticipated, in three equal amounts on January 1, 1970, 1971, and 1972.

The EEC is faced with important decisions on future accessions to the Community. It will have to deal with the possible enlargement of the Community arising from the applications for full membership by Britain, Ireland, Denmark and Norway, plus outstanding applications for association by Spain, Morocco, Tunisia, Uganda, Kenya and Tanzania. In addition, Sweden has requested negotiations for

some form of participation in the EEC which would be compatible with its policy of neutrality. Negotiations with Austria, which began in 1965, are still to be resolved.

It is clear that 1968 will be an important year for the European Economic Community. It will also be an important year for Canadians wishing to sell to EEC members. Exporters will still be selling to six individual countries, but their products will receive the same tariff treatment throughout the customs union. At the same time, they will be able to take advantage of improved terms of access resulting from the Kennedy Round in this, Canada's third largest market. ●

## Workload Up—Paperwork Down

"SINCE introducing the system in August 1966, our workload has increased by 200 per cent, but the staff increase has only been 10 per cent."

This is just one of many enthusiastic quotes from an article in the June 23, 1967, issue of the *Board of Trade Journal*, published in London.

What is this system? It's the guide to *Simpler Export Documentation* published in December 1965 by the British Board of Trade. The book has become a best seller in Britain, and many companies have followed its recommendations in rationalizing their export documentation.

The basis of the British system is a standard simplified layout for export forms devised by the Economic Commission for Europe, an agency of the United Nations. The ECE aligned and co-ordinated the space allotted to basic information on the different forms so that information common to all appears in the same position on each. All information required by all forms is then typed on a master document. This is transferred to the individual forms using simple office reproduction machinery, with a mask for each form to eliminate data not required for that sheet.

The advantages of the new system are obvious. One British company reported, "We have been able to reduce our bill of lading typists by 50 per cent as once the master document is typed, neater, cleaner and more business-like documents are produced."

The simplified layout also aids relations between buyers and sellers who do not speak the same language because the actual location of an item on the form will indicate its purpose and even its

meaning. Even where language is not a factor, those already using the system will certainly tend to give preference to suppliers using the same format.

The Canadian Export Association bulletin of July 17 reports that the system is rapidly finding favour in world trade. Most European countries are quickly falling into line with the ECE standard design, and the UN Commissions for Latin America, Africa, Asia and the Far East are believed to be seriously studying the work of their European counterpart.

The Canadian Shippers' Council has begun its program of establishing notes of understanding with steamship conferences serving Canadian ports to provide for regular meetings between shippers and carriers. The simplification of ocean bills of lading is certain to be included on its future agendas.

A Working Party of the Commonwealth Economic Committee has recommended that aligned versions of the Commonwealth Certificates of Value and Origin be adopted.

A National Committee on International Trade Documentation was recently formed in the U.S. to co-ordinate work toward the simplification of export documents. In fact, although they are different in size, the U.S. Standard Export Formats are already 85 per cent aligned to the ECE model.

As one British firm quoted in the *Journal* article concluded, "We have nothing but praise for this great step forward in export documentation and now eagerly look forward to all steamship companies adopting the standardised bill of lading." ●

FRENCHMEN are being reminded by a massive privately-mounted poster campaign that in 300 days—that is, on July 1, 1968—the last vestige of tariff protection against the products of their partners in the European Economic Community will disappear. The campaign is symptomatic of the pulse-taking going on as France stands at the threshold of full competition with the other Common Market members.

# France Takes Stock

Faced with the disappearance of all tariff barriers within the EEC by next July, the French are studying their competitive position, at a time when economic expansion has been slowing down.

In fact, the answer as to how France is going to fare under this new situation is already largely available. Tariff barriers on industrial goods within the Community have been progressively lowered since 1958 and, in general, only 15 per cent of the original protection remains. Thus, a French tariff item which was 20 per cent before the signing of the Treaty of Rome is now down to 3 per cent vis-à-vis France's partners of the Six. The disappearance of the remaining tariff has more psychological than economic significance.

G. F. MINTENKO,  
*Commercial Counsellor, Paris.*

## Structural Factors

Fears which are expressed about France's ability to maintain a satisfactory and uniform rate of growth in open competition with its partners are generally related to the fact that France does not compare well with them on the basis of the average size of industrial establishment, nor on the structure of its distribution system. On the first point, only 21 per cent of French workers in the industrial sector are employed by firms which have more than 1,000 employees. The corresponding percentage in both Germany and Italy is 36. To this must be added that under strong official encouragement there has been in recent years, and particularly in

recent months, a very impressive number of corporate mergers and other measures aimed at spreading overheads and reducing unit production costs. This process will certainly continue and, in fact, accelerate.

In the field of distribution, France has traditionally been a country of small specialized boutiques. It has 17 retail establishments for every 1,000 inhabitants against 12 in Germany and 11 in Italy. Here again, however, things are evolving, as the larger, more efficient supermarket and department store operations account for a progressively larger percentage of retail sales.

## Progress since 1958

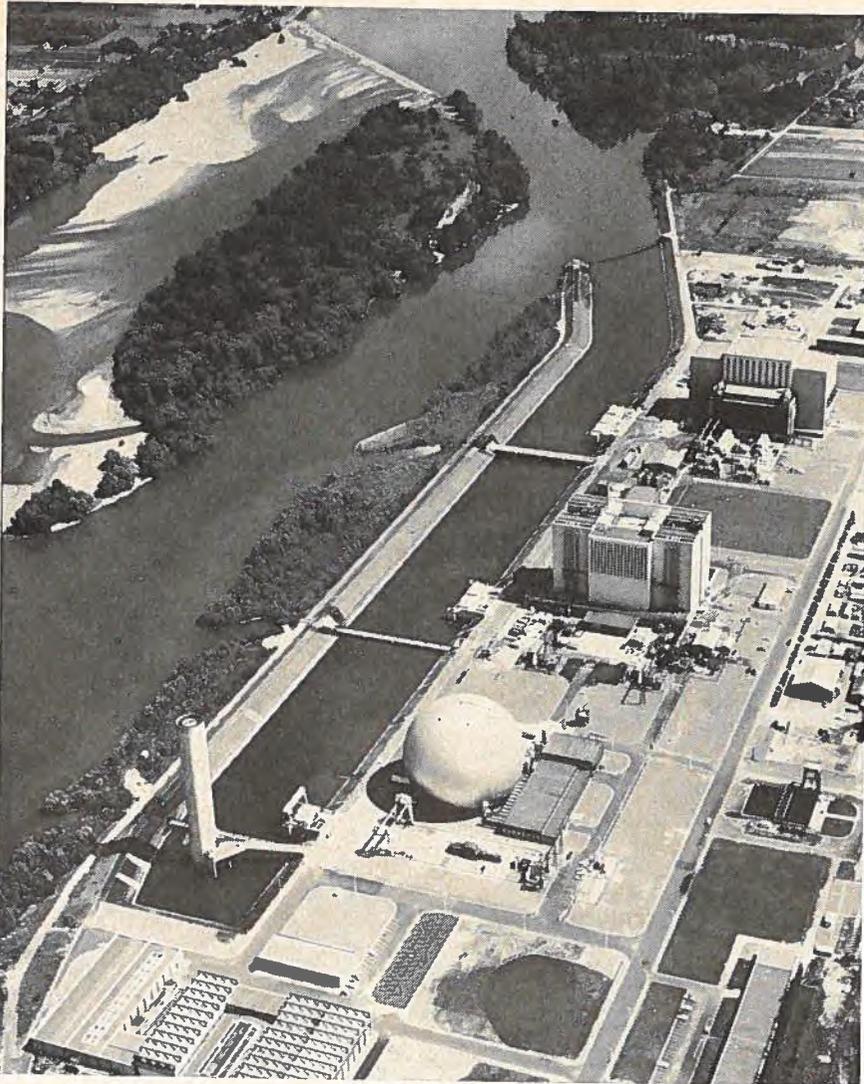
These structural factors apart, the years since the signing of the Treaty of Rome have been marked in France by solid economic growth and relative stability of prices. Among the evidences of this are:

- Gross national product has moved from 244.7 billion francs in 1958 to 461.4 billion in 1965, an increase of 92.9 per cent.
- Volume of industrial production, on the basis 1958=100, reached a level of 151 in May 1967.
- Exports have risen from 21.5 billion francs in 1958 to 53.8 billion in 1966, an increase of 111 per cent.
- Imports during the same period have risen even faster—from 23.6 billion francs in 1958 to 58.5 billion in 1966, or 148 per cent.

Price increases during this period of growth have been relatively moderate: on the basis of 1958=100, the index stood at 132 in 1965 and moved forward by a modest 2.7 per cent in 1966. The price increase during 1967 will probably be even smaller than last year's.

## Present Situation

France's post-Treaty of Rome growth has experienced a pause since mid-1966. Generally this slowdown is attributed to the reduced level of economic activity in Germany, Britain and Belgium, all important markets for French products. Industrial production moved forward only 1.5 per



Since 1958, France has experienced rapid industrial expansion, which has increased the demand for sources of energy. Here is the first French nuclear power station, situated in Chinon, on the left bank of the Loire in the Department of Indre et Loire.

cent between May 1966 and May 1967. Unemployment, normally very low in recent years, has begun to emerge. Unsatisfied job applications stood at 198,000 in July 1967 compared with 145,000 a year earlier. This situation has made people more savings-conscious than they were earlier and consumption has thus made a less important contribution to over-all demand. The easing off in the rate of growth in exports referred to above has also had an effect on the level of over-all activity. Officially forecast at the beginning of this year to rise by 12.3 per cent, indications in September are that the total export

increase will be of the order of 6 per cent. At the same time imports, earlier expected to rise by 11.1 per cent, now are expected to increase by only 5.6 per cent.

#### Trade with Canada

The individual's view of what has been happening to Canada's exports to France depends on what figures he reads. According to DBS, Canadian exports between 1965 and 1966 fell by 3.2 per cent, to Can.\$84.5 million from Can.\$87.3 million. According to French statistics, imports from Canada rose from Can.\$125.2 million to \$135.8 million during that period,

an increase of 8.5 per cent. Part of the difference in the actual values (but not in the trend) is accounted for by the fact that the Canadian figures are calculated on an f.o.b. Canada basis, and the French figures on the basis of c.i.f. port of arrival in France.

More important, however, is the fact that DBS figures are based on the exporter's declaration of the country of destination, whereas French import figures are based very meticulously on country of origin. We know that a large volume of Canadian goods, particularly grain, lumber and chemicals, is shipped from Canada to Rotterdam or Antwerp and, after being discharged in one of those ports, sold to a French buyer and shipped to France. These goods thus do not appear as exports to France in the DBS tabulations because their on-shipment to France could not be known at the time they left Canada. But on entering into France, they are identified as of Canadian origin. Thus, while each set of figures is accurate within its conceptual framework, the French data provide a more accurate picture of the volume and trends of imports from Canada.

#### Scope for Expansion

France, even a France which is not growing at the same rate as it was in earlier years, provides great scope for the expansion of Canadian exports. In spite of the importance of our two countries as international traders, we are still providing only approximately 1 per cent of one another's total imports. The Commercial Section of the Canadian Embassy in Paris is making a major effort to improve the situation and invites Canadian producers to associate themselves in this task. There are many ways in which we in the Embassy can and are glad to assist, but the success of Canada's efforts to capture a growing share of this large market depends in the last analysis on the vigour and the competitiveness of Canadian producers.



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

# Italian Business Expansion Continues

Industrial production, domestic trade, investment, and foreign trade are all booming. Canadian sales should reach a record high this year and new opportunities continue to appear.

ANOTHER PROSPEROUS YEAR is in store for Italian business, judging by nearly all the standard economic indicators. The slowdown which in 1964 nearly halted the headlong expansion of the late fifties and early sixties gave way last year to a substantial recovery. This has now been fully confirmed by the achievements of this past spring and the forecasts of this autumn. The annual Cabinet economic review forecasts for this year a 9 per cent rise in national income, a continuing increase in exports, booming industrial production, and a fall in unemployment. The uncertain outlook for business in some of Italy's EEC partners has not yet seriously affected the Italian business scene.

Canadian trade has taken advantage of these prosperous market conditions to set new records in both exports and imports. If shipments continue at their present level, as

seems almost certain, Italy will in 1967 surpass Germany as an outlet for Canadian products.

## **Economic Forecast Bright**

According to preliminary statistics covering the year to date, 1967 will be one of really substantial growth. Official estimates released on October 1 by the Government foresee an expansion in national income of 5.5 per cent in real terms, despite the practical failure of agricultural output to rise at all over 1966. Capital investment is expected to be no less than 10.4 per cent higher than it was last year, boding well for the continuation of the present boom. (The economic slowdown which began in 1963 was widely ascribed to the failure of real investment to continue its previous high rate of growth.) The present upturn, at first thought to result from the rebuilding of rundown stocks, has turned out to be much more solidly based on a higher level of capital investment by both industry and Government.

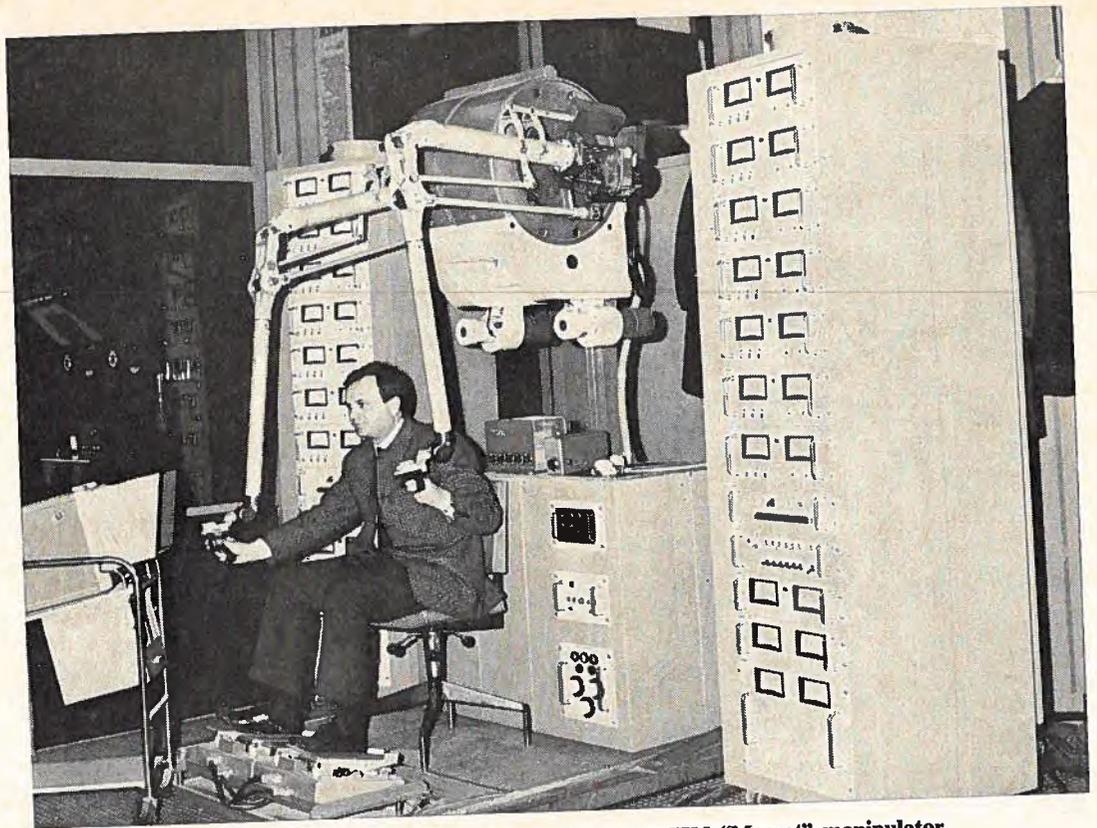
In monetary terms, the GNP is forecast for 1967 at some 9 per cent higher than in the previous year, which was itself better than 1965 by nearly 8 per cent. Private consumption, currently running at nearly 6 per cent above that of last year, added to higher investment and a surplus on the balance of payments, has raised fears that inflation, so striking a feature of the previous boom, will get out of hand again. However, the total 2 to 3 per cent general price increase expected to have taken place by the end of the year is considered tolerable, if current price rises are not accentuated.

During the spring of the year a substantial capital outflow, attributed to higher interest rates abroad, turned Italy's surplus on its international balance of payments into a deficit but put little if any pressure on the lira. For the whole of this year a small surplus is forecast, although much will depend on the capital movements of the last few months of the year.

It is usual for Italy to offset a deficit on the balance of commodity trade by tourist earnings, emigrants' remittances, shipping, and other "invisibles". Although the downturn in Germany and other European countries has this year adversely affected these exchange earners, nevertheless Italy will probably end the year with a current account surplus of nearly a billion dollars. Canadian exporters have no reason to fear any reversal in Italian regulations covering transfer abroad of payment for imported goods; these have for many years made foreign exchange automatically available to pay for legal imports.

## **Industrial Production Rising**

Manufacturing activity in Italy, on which the level of total Canadian exports to that country is heavily dependent, has risen nearly 11 per cent during the year to date and is expected to total 12 per cent over last year by the end of December. Iron and steel manufactures, including machinery, are showing large gains. Automobile production, contrary to the world-wide trend, again set a new record, at 993,000 units during the first seven months. Production figures for rubber products, metallurgical semi-manufactures, and household appliances are all sharply above 1966; however, the textile industry at mid-



The Italian pavilion at Expo '67 in Montreal displayed this CNEN "Mascot" manipulator.

summer remained in the doldrums, as did mineral ore mining. The Italian aircraft industry maintains that it faces lean years ahead unless government procurement is increased.

The construction industry is at last showing definite signs of recovery from the crisis which in recent years has affected nearly all sectors of the trade. The official forecast is for an 8 per cent rise over last year in the value of all construction, although house-builders, who have had a very difficult time, remain pessimistic about the immediate future. The recovery has so far taken place largely in commercial and factory building and in public works, which are substantially greater in value than those undertaken last year. Canada's market for lumber and other building materials has suffered severely from this recession in construction. Our sales of eastern softwoods have almost disappeared and new building products or methods have been virtually impossible to introduce under the depressed conditions of the past two years. This spring, production of local building

materials (cement and glass, for example) was up sharply from last year and there is real hope of an upswing in residential construction, particularly in the low-cost field.

#### **Agricultural Output Static**

Farm output in total has changed little over the past two years and the forecast for 1967 shows a mere 1 per cent rise. The flood devastation of one year ago, an epidemic of African swine fever, and the continuing drift of farm families towards the cities have all had their effect. Dairy farmers complain that the price they receive for their milk is too low to encourage the growth of dairying, which has long been a cornerstone of Italian farm policy, and the wheat farmer is apprehensive about future price levels for his high-cost grain under the EEC-wide marketing arrangements.

Next year, however, a significant increase in agricultural output is expected, reflecting the great efforts made over a long period in land reclamation, the improvement of breeding stock, and the increased use of

machinery and fertilizer on the Italian farm. Canadian seed (especially potatoes), purebred cattle and foundation poultry stock have made a real contribution to farming in Italy, and have found a difficult but expanding market there.

#### **Personal Incomes Rising**

Although much of the increased factory output described above was at first achieved with existing labour forces, the boom in manufacturing and in the service industries (which now employ one Italian wage-earner in three) has increased the number of gainfully employed by some 280,000. Two-thirds of these joined the service industries, which have absorbed a high proportion of those leaving their farms. Unemployment, at 907,000 registered job-seekers in July, was officially calculated at 4.6 per cent of the labour force, the lowest July figure since 1963. Another common unemployment index indicated that 2.9 per cent were unemployed, compared with 3.2 per cent a year earlier. Using either index, unemployment has

definitely decreased, as has the level of under-employment. As the "contract wages in manufacturing" index and other wage indicators have risen in the year ended this July and time lost through labour conflicts is not much over half the level of 1966, Italians have significantly more money to spend this year, especially for non-essential purchases. Private consumption expenditures are currently running some 6 per cent above those of last year, creating a growing demand for the wide variety of new consumer goods which are increasingly seen in Italian department and chain stores as the European Economic Community progresses towards a complete customs union. Canadian sales of consumer goods have unfortunately made little or no relative gains this year, partly because of higher tariffs and transportation costs, but also because it is becoming increasingly difficult for overseas manufacturers to arrange efficient national distribution. The speed and ease with which Italian merchants can obtain goods from manufacturers and wholesalers on the Continent are hard to match from across the Atlantic, yet comparable warehousing and service are essential if the important "second sale" is to be made.

### Foreign Trade Still Expanding

Italian exports are expected to rise a respectable 8 per cent during 1967, a bit short of the 12.5 per cent growth of 1966. Imports have for many months been increasing faster than sales abroad, under the impetus of growing domestic demand, the rise in real investment, and the need to provide raw materials for Italian industry. No immediate problems are foreseen in financing the growing import bill, a large proportion of which is spent on foodstuffs to supplement inadequate local production. As Italian trade has become increasingly dependent on markets in the other EEC countries, exporters are anxiously searching for signs of a business recovery in Europe, especially in West Germany, Italy's chief trading partner. Table I shows where Italy trades and how its markets and suppliers have changed in recent years.

### Trade with Canada

Canada's trade with Italy has expanded at a rate which has exceeded the most optimistic predictions. Our

exports, from a value of \$62 million in 1964, a relatively poor year, have climbed to an estimated \$120 million plus for 1967, thus nearly doubling in the short period of three years. At

the same time, our imports from Italy have shown an equal buoyancy and should exceed the \$100 million mark this year if present trends continue. The level of our sales to Italy is

TABLE I  
ITALY'S FOREIGN TRADE

	1964		1966	
	Total (millions of lire)	Per cent of total	Total (millions of lire)	Per cent of total
<b>IMPORTS</b>				
<b>All imports</b>	4,532,793	100.0	5,357,069	100.0
of which:				
EEC	1,480,468	32.7	1,741,996	32.5
<b>Principal Countries</b>				
West Germany	738,468	16.3	856,643	16.0
United States	615,781	13.6	655,687	12.2
France	446,498	9.9	541,808	10.1
Britain	248,097	5.5	251,214	4.7
Kuwait	185,552	4.1	205,645	3.8
<b>EXPORTS</b>				
<b>All exports</b>	3,724,016	100.0	5,019,941	100.0
of which:				
EEC	1,414,983	38.0	2,038,591	40.5
<b>Principal Countries</b>				
West Germany	707,188	19.0	1,006,961	20.0
France	406,490	10.9	582,286	11.6
United States	316,927	8.5	464,886	9.3
Switzerland	227,452	6.1	251,966	5.0
Britain	207,833	5.6	238,959	4.8

Source: Italian National Institute for Foreign Trade

TABLE II  
CANADIAN SALES TO ITALY

	1961	1964	1966		1961	1964	1966
	(Can.\$'000)				(Can.\$'000)		
<b>Total Exports</b>	67,688	62,236	114,786				
of which:							
Cattle, purebred	nil	298	1,718	Plastic and synthetic rubber, not shaped, n.e.s.	3,933	1,907	1,826
Milk powder, skim milk	1,323	944	1,070	Aluminum pigs, ingots, shot, slabs etc.	3,673	1,919	4,078
Barley	51	1,327	12,792	Zinc blocks, pigs and slabs	31	819	1,091
Durum wheat, except seed	8,433	954	5,214	Pulp and paper industrial machinery & parts	32	107	140
Wheat, except seed n.e.s.	4,717	4,337	16,439	Textile industries machinery & parts	231	193	384
Rapeseed	3,904	359	6,389	Ships and boats n.e.s.	nil	nil	465
Pulpwood, balsam fir, spruce peeled	2,330	2,675	1,669	Electronic tubes and parts	nil	23	189
Iron ore	754	193	12,856	Navigation instruments, apparatus & parts	nil	1,380	5,652
Aluminum and aluminum alloy scrap	3,249	2,765	4,868	Kitchen utensils & parts n.e.s., cooking	nil	1	188
Nickel in oxide	1,341	1,041	1,712				
Asbestos	4,029	3,205	2,727				
Lumber, Douglas fir and hemlock	550	1,244	2,954				
Wood pulp	2,209	7,558	11,608				
Liner board	nil	nil	3,327				

Source: Dominion Bureau of Statistics

linked closely with the health of Italian manufacturing and with our competitive position in the bulk foodstuffs markets of the world. The current boom we are enjoying in the Italian market reflects the rise in industrial output described above (itself dependent to an increasing degree on Italy's ability to export) and the ability our foodstuffs producers have demonstrated these past three years to compete for Italian purchases of grains, especially oilseeds, feed grains and wheat, as well as other foods to feed the increasingly prosperous consumer. Apart from these bulk commodities, our manufacturers have expanded in the sixties their sales of a wide variety of factory products, ranging from precision instruments to light aircraft. Table II illustrates the growing range of Canadian products marketed in Italy, and each month brings reports of some new product introduced to Italian industrial, agricultural and private buyers. Of particular interest to manufacturers in northern Italy are any accessories or modifications to factory machinery which will improve the speed or efficiency of production.

### Nuclear Power Projects

Italy's demand for electric power is growing at a rate of over 10 per cent a year, placing a severe strain on the facilities of the state electrical authority, ENEL, which generates and distributes almost all power sold in the country. As economic hydro resources are almost all utilized and oil-fired thermal stations use mainly imported oil for fuel, ENEL plans to produce an increasing share of power from nuclear plants. The three existing nuclear stations, all approximating our Douglas Point station in output, are to be supplemented by a chain of large nuclear power reactors of around 600Mwe each, to be commissioned over the next thirteen years. Negotiations are already under way for the construction of the first station, to be commissioned early in 1969, while some 2,000 additional Mwe of generating capacity are on the book before 1970. During the seventies ENEL hopes to undertake the construction of a large new reactor nearly every year, to achieve by 1980 something over 7,500 Mwe of nuclear power capacity.

Paralleling this vast program will be the development of Cirene, a pilot

research reactor of small size (33.4 Mwe) using natural uranium, heavy water moderation, and light water fog cooling. As this reactor has many features which are similar to those of Canadian reactors which are either in operation or under construction, opportunities are already offering for Canadian engineering and manufacturing companies to participate in a variety of ways in this new research project. As the agency which will develop and construct this pilot plant is now being organized, interested Canadian companies should take early action to offer their equipment and services through our Rome office, or via their Italian representatives.

### Future Prospects Good

The quarterly surveys of businessmen's expectations have recently shown more optimism than for many years. International, domestic and government forecasts all indicate that

present expansion should continue strong throughout the coming year. Canadian exports, sensitive as they are to Italian business conditions, should therefore make further gains in 1968, both in absolute value and in the range of products which can be successfully marketed in Italy. The two Canadian trade offices, in Milan and Rome, are able to suggest qualified trade channels for most Canadian export products and to arrange appropriate trade contacts for Canadian manufacturers and exporters. A newly-founded Canadian Chamber of Commerce in Italy will add to the services already offered to Canadian firms, providing, the hope is, a private channel between businessmen of the two countries. There are new trade opportunities regularly opening in Italy for Canadian goods. The time is right during this present prosperity for new exporters to try their products out in the expanding Italian market. ●

## Canadian Chamber of Commerce Established in Italy

CANADA'S centennial year has seen another trade link forged with Italy. After several years of organized effort by local firms interested in trade with Canada, a new Chamber of Commerce has been established there—the Camera di Commercio Canadese in Italia.

The aims of the new Chamber are:

- To advise new Canadian companies coming to Italy on methods of establishing and operating in this country.
- To suggest contacts to Canadian companies interested in business with Italy, and to Italian companies interested in business with Canada.
- To organize working programs and contacts for Canadian groups visiting Italy on business (trade missions, Chambers of Commerce parties, official groups).
- To act as an advisory body to the Canadian and Italian Governments, through the Commercial Attachés of the Embassies in Rome and Ottawa, on matters affecting Canadian-Italian trade, particularly when government measures might be detrimental to trade and business interests.

Designed to join Italian and Canadian businessmen in an organization which

fosters trade and other business matters through private channels, Camera di Commercio Canadese is the result of many hours of work by Canadian and Italian representatives of Canadian companies doing business with Italy.

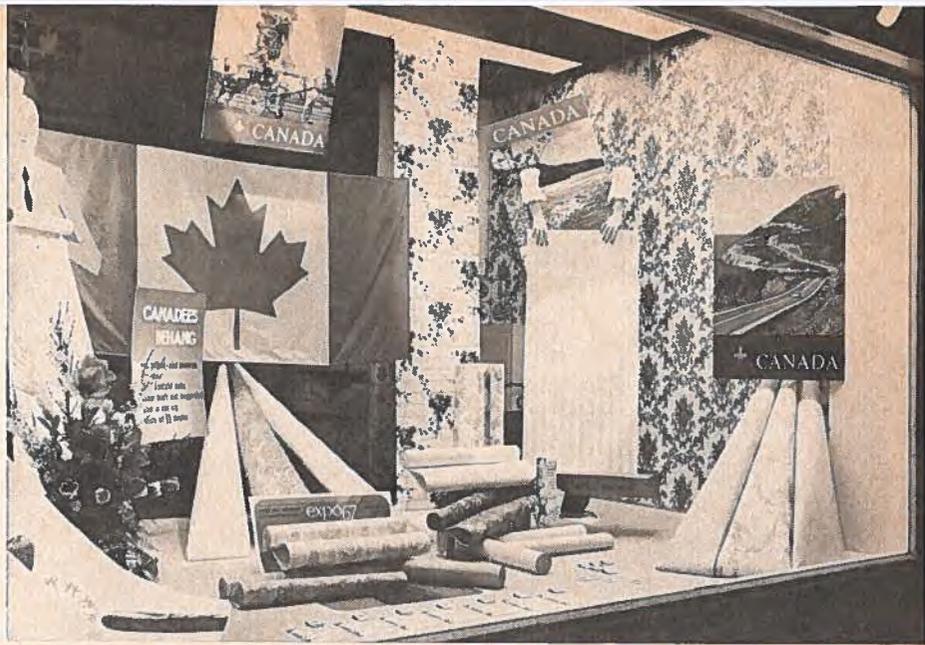
Membership will be limited to those who are genuinely interested in trade relations between the two countries. Associate membership will be part of the Chamber's second stage, when expansion plans are considered. A number of large Italian companies with long-established trade relations in Canada, with offices there, or with plans to develop relations across the Atlantic have promised support and participation.

Canadian exporters and manufacturers may wish to suggest to their Italian agents that membership in Camera di Commercio Canadese would lead to profitable business contacts. They may also wish to become members themselves. A note to the Executive Vice-President, Camera di Commercio Canadese in Italia, Via Vittorio Veneto 96, Rome 00187, Italy, will bring an application form and a copy of the bylaws.

—J. H. STONE,

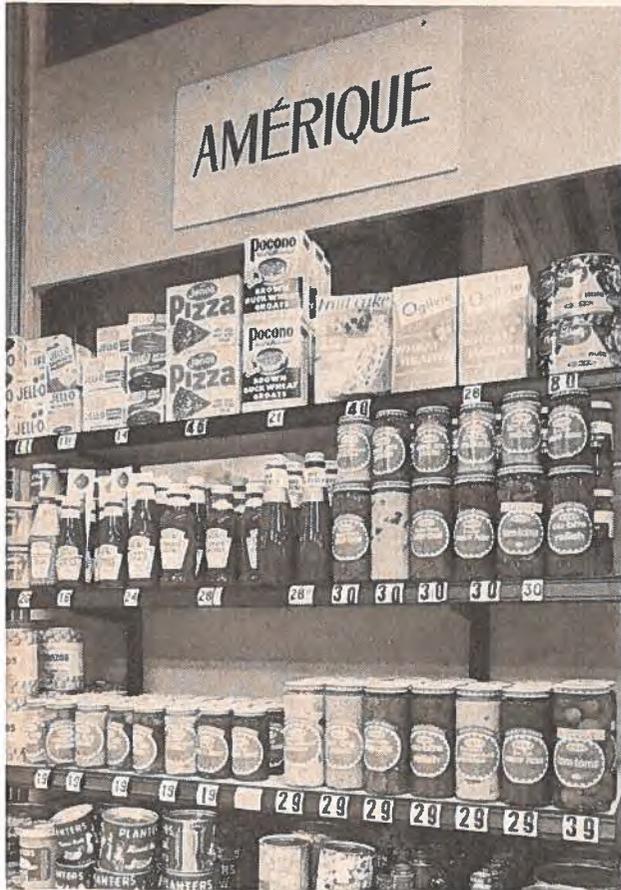
*Commercial Counsellor, Rome.*

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

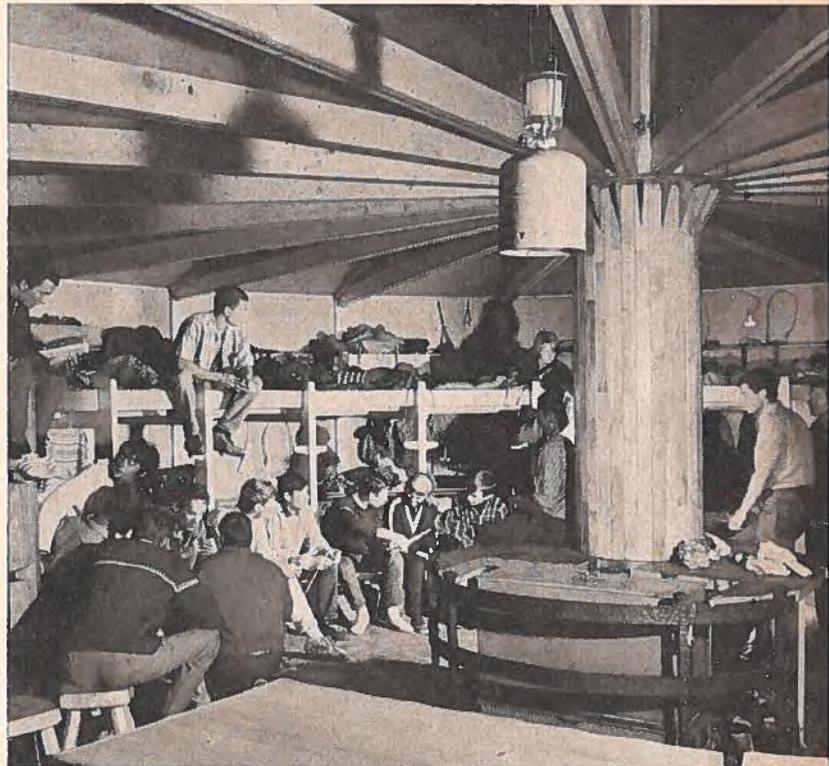


**In the Netherlands—Canadian wallpaper is featured in a Haarlem store.**

## Canada in European Markets



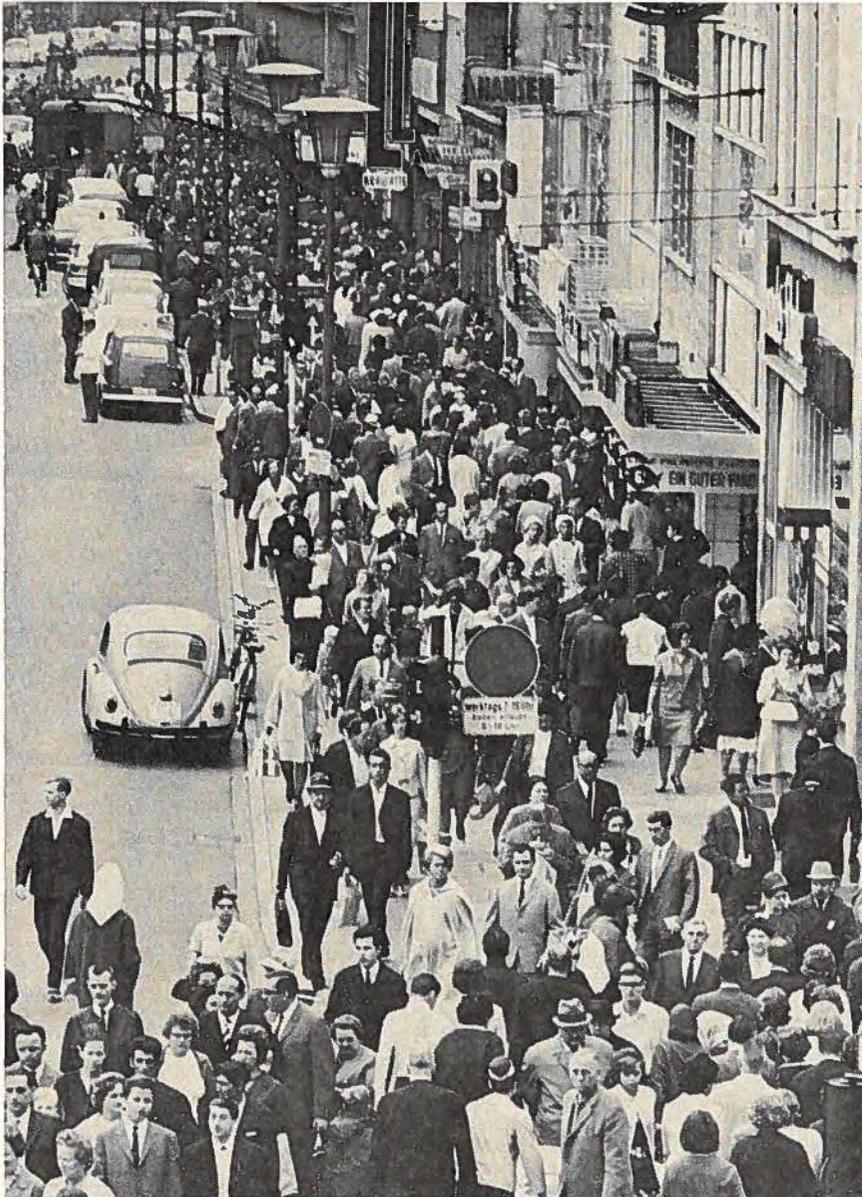
**In Belgium—Canadian pickles are prominently displayed in the American section of a Brussels store.**



**In France—Canadian plywood was used in the interior of this ski hut at Grenoble where happy young skiers discuss the day's sport.**

# West German Economy Slows Down

Slower pace of business has affected Canadian exports and import competition has increased. Upturn is expected in 1968; Canadian suppliers may benefit as Kennedy Round reductions take effect.



Saturday morning shoppers through the Schadowstrasse in Duesseldorf. Although demand dropped this year, Germany with its 60 million consumers ranks second only to the U.S. as an import market. Prospects for 1968 are brighter.

G. A. BROWNE,  
*Consul, Duesseldorf.*

FOR MORE THAN A DECADE, high growth rates in the German economy had come to be expected and the doldrums of the past eighteen months seem hard to account for. Recalling the 16 and 17 per cent boom increases of 1955 and 1960, the persistent annual average 9 to 10 per cent hike in GNP, and the euphoria of the 1964-65 boomlet, how did the economy slow down to the recession of 1966-67?

There are still disagreements among the pundits about the current state of the German economy and, more particularly, about the immediate prospects. But the OECD considers that the principal cause of the slowdown was rather too restrictive monetary measures taken to correct imbalances emerging in 1965. The cumulative effect of these tight money measures, and the concurrent slowdown in Germany's neighbouring and principal overseas markets, was a reduction in German demand much greater than expected.

Investment, not only by industry and business but also by regional and municipal governments, was reined in; the gathering momentum of the resultant downturn affected both producers' and consumers' expenditures. In this drop in demand—to about one-tenth of that of the 1964 boomlet—the steadying of prices was accompanied by an easing of the labour shortage and some growing unemployment.

The Government's freedom of action in countering this declining trend was limited partly by the German federal constitution's definite bar against deficit spending. The Septem-

ber announcement of the Government's plan for a five-year DM 40 billion deficit spending program is a departure from the pay-as-you-go school of financial orthodoxy which has governed the economy over the past twenty years. Although there are still many Germans who regard deficit spending with alarm born of experience, the tax alternative seems to hold less promise of restoring an ade-

quate rate of growth and getting the economy resolutely on the move again.

### Imports Affected

The significance to Canadian exporters of the slowdown in Europe generally and the downturn in Germany in particular is seen in Table I.

The subsiding demand in the past year has shown up especially in the falling import figures and has particularly affected those neighbouring economies heavily dependent on the German market. Throughout 1967 generally, turnover figures in all wholesale branches were lower than in the previous year with the exception of the food and provisions trade. Retailer turnover in most fields was significantly down, with strong increases only in beer and soft drinks, sports and camping equipment and gasoline. With the steadying of prices—wholesale as well as retail price indices show small declines in many cases—and the increased efforts of neighbouring suppliers to preserve their share of the German import market, competition for the now more elusive import D-Mark has grown ever keener.

Part of the slowdown in German imports is due to the current uncertainty among buyers over the effect of the new value-added system of sales or turnover tax which will come into force on January 1, 1968. This uncertainty is said to be a factor in the general running down of inventories by merchants and producers anxious to avoid being caught by the higher tax at the turn of the year.

### Effect of Kennedy Round

Against this background, the EEC internal tariffs will reach zero on July 1, 1968. It is hoped that Canadian exporters will find some opportunities in both the internal adjust-

ments consequent on the abolition of tariffs between the Six and in the reductions in the EEC external tariff negotiated in the Kennedy Round. Reductions that will be of interest to Canadian exporters to Germany are included in the striking range of the Kennedy Round GATT reductions. The EEC tariff, which will govern Canadian trade with Germany, is to be cut in half on the following:

- Titanium oxides
- Sausage casings
- Gas and fuel oils
- Vanillin compounds
- Vitamins, enzymes, antibiotics
- Some pharmaceutical products
- Serums, vaccines
- Industrial chemical specialties and explosives
- Plastics, resins and their products
- Inner tubes
- Furs and fur articles of clothing
- Wood pulp, paper, and paperboard cut to size
- Refractory bricks
- Kitchen utensils
- Central heating boilers
- Some articles of iron and steel
- Nickel and alloy fabrications
- Refrigerators
- Excavating, harvesting, pulp and paper, printing and bookmaking, and textile machinery
- Hand tools
- Typewriters and accounting machines, office machinery
- Statistical and card punch computers
- Vending machines
- Machinery and mechanical appliances
- Motor vehicle, crank and camshafts, other special machinery and parts
- Transformers
- Spark plugs and parts
- Automotive electric parts
- Heating stoves, space and water heaters
- Electric cooking appliances
- Telephone apparatus and communications equipment
- Certain electrical apparatus
- Electric filament lamps
- Electric tubes
- Aircraft parts, ground flying trainers
- Ships and boats
- X-ray apparatus
- Sports equipment

Useful reductions of up to approximately one-third were also obtained in edible offals, alcohols and derivatives, generators, motors and converters, electric resistors, electric wires, photo equipment and supplies, medical, dental and related instruments and equipment, and fishing rods.

These reductions will, of course, be of equal interest to all competitors since they apply equally to all members of GATT, whose tariff access—

TABLE I  
WHAT WEST GERMANY IMPORTS

	January-June	
	1966	1967
	(millions of DMarks)*	
Animals and animal products	1,615	1,408
Vegetable products	4,729	4,448
Animal and vegetable fats and oils	363	342
Prepared foods, drinks and tobacco	2,305	2,209
Minerals and ores	4,432	4,558
Products of the chemical industry	1,542	1,584
Plastics, rubber and products	921	860
Hides, skins, leather and products	834	555
Wood and wood products	927	714
Pulp, paper and products	1,229	1,175
Yarns and textiles	4,086	3,344
Footwear	361	357
Stone, glass, cement and products	454	405
Precious metals and gems	784	823
Base metals and products	4,370	3,684
Machinery and electrical goods	3,462	3,175
Transportation equipment	1,731	1,774
Optical, photographic, electronic	592	630
Miscellaneous	1,185	1,366
<b>Total, all countries, Jan.-June</b>	<b>36,358</b>	<b>33,907</b>
<b>Total, 12 months</b>	<b>72,670</b>	

\*Four DM=1 U.S. dollar.

TABLE II  
WEST GERMAN IMPORTS BY SELECTED AREAS

	1964	1965	1966	1967
	(millions of DMarks)			
<b>Total all countries</b>	58,839	70,448	72,670	42,270
Of which:				(8 mons.)
EEC	20,393	26,648	27,774	16,290
EFTA	10,685	12,133	11,955	7,035
United States	8,066	9,197	9,178	5,179
Canada	779	911	891	482
Japan	636	958	1,028	616

for those outside the EEC—will remain relatively unchanged vis-à-vis their other competitors.

### Meeting Competition

In the creation of a unified common market comprising Germany, France, Italy, the Netherlands, and Belgium and Luxembourg—and such other European industrial economies as are admitted—conditions can arise in which some Canadian suppliers may find the resulting competition too severe to be met by direct shipments of finished goods from Canadian plants. In some fields it may be possible to interest German firms in manufacturing the Canadian product under licence for distribution in the EEC. The number of joint venture or partnership arrangements along this line may be expected to increase and this trend is already evident in Central Bank figures of foreign direct investment in Germany. Trade and Commerce offices in Germany can offer useful information on the procedures to be followed.

As a useful preliminary to a decision to package, assemble or manufacture in Germany, attendance at and participation in the appropriate international trade fair in Germany is a must. For direct import marketing the fairs are an unexcelled opportunity to put the product under the eyes and in the hands of more buyers than could be contacted in years of correspondence. If you have not already identified the German international fair appropriate to your product, ask the Canadian Consulates General in Hamburg, Duesseldorf or the Commercial Division of the Canadian Embassy at Bad Godesberg for information.

### Upturn Coming

Although the German market in the last half of 1967 is smaller, for the moment, than it has been for several years, the fact remains that Germany, as an import market of 60 million consumers, ranks second only to the United States. Current indications are leading business observers to expect the upturn to become visible in 1968, and the optimism seen at the recent Hanover, Duesseldorf and Frankfurt machine tools, plastics and automobile fairs begins to lend colour to these forecasts. ●



The Parliament Buildings in Brussels are enhanced by the reflecting pool in front.

## BLEU Provides Good Market

... despite persistent economic problems and slower growth. Canadian exports to BLEU reached \$117 million last year; this article suggests products with the best potential for expanding these sales.

CLAUDE T. CHARLAND,  
Commercial Counsellor, Brussels.

DESPITE a slight improvement in some industrial sectors such as steel and construction, recent growth in the Belgian economy has been slow and erratic, as it has since the boom year 1964. The most serious obstacle to growth so far in 1967 has been the prolonged slackening in demand for exports. Current economic difficulties in West Germany and the Netherlands, which normally take close to half of Belgium's exports, have underlined the country's over-dependence on those markets. At the same time, relatively buoyant demand in France and Italy has provided an opportunity to achieve a more even spread of Belgian trade within the EEC.

Preliminary figures for the first half of 1967 show that BLEU's exports (because Belgium and Luxembourg form an economic union—BLEU—statistics on the two countries' foreign trade are combined) to West Germany and Holland were down 8.6 per cent and 0.6 per cent respectively, and that sales to France and Italy were up 18.5 per cent and 37.5 per cent respectively. During the same period, EEC member states took 62 per cent of BLEU's total exports, which increased by 5 per cent over-all as opposed to a 2 per cent increase for imports.

With little prospect of a substantial revival of economic activity in Belgium's traditional export markets in the immediate future, it is unlikely that the cautious 2 per cent growth forecast by the Central Economic Council will be exceeded. This would compare with a rate of increase in the GNP in real terms of close to 3 per cent in 1966, 3.5 in 1965 and 5.5 during the period 1962-64.

### Problems Are Persisting

Although the Government is pursuing a vigorous economic policy, wages continue to rise faster than production and unemployment has remained higher than last year. Although steps have been taken to ease the pressure on the capital market, the squeeze on profit margins persists as labour costs continue to increase. However, steel output has started to rise again and great hopes are fixed on the new oil and chemical projects

just beginning to come on stream in the Antwerp and Ghent port areas. In the meantime, the Government's emergency fiscal aids and incentives should have an increasing impact on the production index.

Despite a traditionally low labour mobility, some real progress has been made in regional reconversion. A program of phased closure of uneconomic coalpits is being carried out and a committee has been set up to review ways and means of modernizing the steel industry and improving its competitiveness. Rationalization of the textile sector is also proceeding satisfactorily although the industry has been seriously affected by an over-all contraction of internal and external demand. The vital metal manufacturing sector has also been hard hit by a widespread decline in activity.

In short, although a quickening of the growth rate can be detected, stagnation and structural problems continue to hamper the Belgian economy and there is little evidence that the downturn in economic activity is about to be reversed. However, it should be pointed out that the Belgian economy has experienced numerous cyclical swings in the past and has always proved resilient enough to overcome temporary difficulties. For the moment, indications are that in most sectors revival of activity will depend to a large extent on West German and Dutch imports starting to forge ahead again.

### What Kind of Market?

The recent sluggish performance of the Belgian economy should not be allowed to obscure the fact that the Belgo-Luxembourg Economic Union remains Canada's fourth largest market in Continental Europe, after the U.S.S.R., West Germany and the Netherlands, and continues to offer excellent opportunities for Canadian exporters.

The BLEU forms a densely populated, highly industrialized and traditionally outward-looking trading unit with an economic importance far out of proportion to its area. It is heavily dependent on foreign trade and must find export outlets for as much as 40 per cent of its gross national product. With few natural

resources other than coal and limited quantities of iron ore, it must import essential raw materials for the industries which produce its chief exports. It is not uncommon for some commodities to appear among both principal imports and exports in consequence of Belgium's rôle as a processor of other countries' raw materials.

The area's agricultural and fisheries industries cannot meet the requirements of the population in certain sectors and this results in substantial food imports. In summary, the BLEU is a highly sophisticated and keenly competitive market in which price, quality and prompt delivery matter more than elsewhere.

TABLE I  
TRADE BETWEEN BLEU  
AND CANADA

Year	Exports to BLEU	Imports from BLEU
1958	\$ 69,702,155	\$ 36,021,877
1959	56,211,811	45,086,084
1960	69,131,880	41,400,922
1961	76,054,596	44,779,618
1962	68,168,982	48,682,009
1963	76,474,245	47,341,864
1964	100,535,163	59,188,072
1965	128,010,520	72,029,546
1966	117,505,423	61,652,223
1967 (first five months)	35,192,332	26,271,492

TABLE II  
CANADIAN EXPORTS TO BLEU  
MAIN COMMODITY GROUPS

	1965	1966
	(dollars)	
Ores, minerals and metals	57,324,990	47,641,434
Agricultural and fish products	44,994,205	44,279,311
Lumber, pulp and paper	4,954,348	8,050,926
Aircraft, vehicles and parts; marine vessels, engines and parts; navigation instruments	8,383,188	6,356,862
Industrial, electrical and electronic equipment	2,489,973	3,679,182
Chemicals and plastics; synthetic rubber	2,303,820	2,229,452
Biological, pharmaceutical and medical products	1,408,573	1,509,631
Textiles and clothing	662,597	943,843

As Table I shows, Canadian exports to the BLEU have made steady progress during the past decade. In fact, our sales to the area, which reached a high of \$128 million in 1965, more than doubled between 1959 and 1966. Of equal significance is the wide diversity of Canadian products which find a market in Belgium and Luxembourg. Primary products predominate, but Canadian exporters have been increasingly successful in developing sales of a broad range of manufactured commodities (Table II).

Before dealing with specific commodity groups of particular interest to Canadian exporters, it would be useful to recall briefly some of the much heralded developments which have intimately affected the BLEU market. Ever since the EEC came into operation in 1958, Belgium has been going through a continuing process of adjustment and realignment of its industrial base. Key sectors, such as steel and textiles, have been undergoing rationalization and older industries, such as coal production, are being gradually phased out. Other events likely to affect access to the BLEU market will be the final step towards a Common External Tariff, scheduled to take place on July 1, 1968, and the proposed implementation of a portion of the Kennedy Round tariff reductions on the same date. It should be borne in mind that, before the formation of the EEC, the Benelux countries had a relatively low tariff structure compared with some of their Common Market partners. As a result, with the first adjustment of national tariffs to the Common External Tariff in 1961, while countries such as France and Italy were lowering their tariffs, BLEU found it necessary in most instances to raise theirs.

Although it is too early to assess the possible impact which these changes will have on Canadian exports, there is no indication that Canadian sales to the BLEU will be adversely affected. Certainly from the standpoint of dollar volume of Canada's trade with the BLEU, integration of the EEC to date has not been a restrictive factor. There is every reason to expect that Canadian exporters will continue to hold their own in this steadily widening market, even

though they will have to adapt to new trading patterns and a more competitive climate.

With this background in mind, let us now turn to a brief examination of selected commodity groups which seem to have good growth potential in this market.

### **Agriculture and Fisheries**

• **Fisheries Products**—The markets of Belgium and the Grand Duchy of Luxembourg have traditionally been good ones for a selected range of agricultural and fisheries products. Canned salmon and fresh lobster have established themselves over the years and, depending upon supply and competitive prices, the demand should continue to grow steadily. Frozen salmon finds a ready outlet, and some species of freshwater fish might be marketed.

• **Livestock and Animal Products**—BLEU is largely self-sufficient in the supply of traditional meats, beef, pork and poultry, but there appears to be a reasonable potential in some specialty areas such as frozen turkeys, fresh or frozen horsemeat, and cured meats, subject to competitive pricing and adequate supply.

• **Dairy Products**—BLEU has become a net exporter of dairy products, but there are opportunities for the sale of Canadian cheddar-type cheese, provided competition from Poland, Hungary, and Britain can be met.

• **Plant Products**—Processed fruits and vegetables, both canned and frozen, could be successfully marketed, given aggressive salesmanship and competitive pricing. There is also a certain demand for specialty foodstuffs and the Brussels office would welcome receiving from Canadian manufacturers information and c.i.f. prices in order to explore this area in depth.

• **Tobacco**—The BLEU has an important tobacco products industry which in 1966 consumed more than 32,000 metric tons of leaf tobacco. Of this total, indigenous tobacco represented little more than 2,000 metric tons; the remainder was imported from practically all the producing

countries. A more aggressive sales effort by Canadian manufacturers, with frequent visits to this area, might produce increased sales as availability permits.

• **Oilseeds**—A continuing market for Canadian rapeseed and flaxseed is indicated, if Canada can maintain its present competitive position and supplies are sufficient.

• **Grains**—In spite of developments in the EEC, it appears unlikely that there will be any substantial change in the pattern of Canadian wheat sales to this area, which amounted to \$31.6 million in 1966. Last year the United States and France were our biggest competitors, although their combined shipments did not equal the tonnage delivered by Canada. Sales of our feed grains have tended to fluctuate in recent years, with Canada figuring among suppliers of rye, barley and oats, but not corn.

### **Industrial Materials**

• **Chemicals and Plastics**—The chemical industry in BLEU forms one of the most dynamic sectors of the economy and relies heavily on imports of raw and primary materials. BLEU imports pheno-plastics in comparatively large quantities and although the bulk of imports has tended to come from member states of the EEC, third countries have also participated in this business and there is no reason why Canada should not figure among the main suppliers.

• **Fertilizers**—BLEU is an important consumer of nitrate, phosphate and potassium fertilizers which are all imported in large quantities. Member states of the EEC have been the traditional suppliers, but Canada should be able to make substantial sales. Important quantities of sulphur are also imported from a variety of sources, including Canada, whose share of the market should continue to grow.

• **Inorganic Chemicals**—Domestic production is important, but imports are still necessary, running at about \$42 million a year. Although this is a highly competitive sector, it offers further possibilities for the development of Canadian trade.

• **Forest Products**—Canadian exports of lumber reached \$8 million in 1966 and should rise as the trend toward larger bulk shipments is affirmed. Canadian sales have so far consisted mainly of Western lumber. There is also a demand for Eastern lumber, particularly spruce.

• **Metals and Minerals**—Canada's share of the BLEU market for industrial minerals continues to hold an important place in total Canadian exports to this area, as Table II reveals. With the rationalization of the steel industry, there should be additional demand for high-grade ore which Canada can supply.

### **Manufacturing and Engineering Products**

• **Industrial Machinery and Equipment**—There are opportunities for the sale of specialized industrial machinery and equipment such as paper, where Canadian knowhow and experience should help achieve a breakthrough. Another promising field is drilling and boring equipment for mining and public works projects.

• **Electronic Equipment**—This is an area where domestic and West European manufacturers are well entrenched. However, opportunities may develop for the sale of highly specialized equipment, particularly in the communications field.

• **Textile Fibres and Fabrics**—Though BLEU itself is an important manufacturer of textiles, Canadian producers have managed to penetrate the local market successfully and there is definitely a place for Canadian products as long as high quality standards and competitive prices are maintained.

• **Office Furniture and Equipment**—Despite intensive competition, Canadian manufacturers have been able to place some of their products on the market and there seems to be room for further expansion.

• **Scientific and Medical Equipment**—BLEU imports a wide variety of scientific and medical equipment. Though Canada has not figured prominently among traditional suppliers, Canadian manufacturers would be

well advised to investigate possibilities in this expanding field.

This is by no means an exhaustive list of commodities that offer good prospects and there are known opportunities in other sectors. The Brussels office will always be pleased to assist new entrants into the market, but suggests that a study in depth of market possibilities or the appointment of a local representative warrants a personal visit to the territory. Brussels is only a few hours away by air from Canada and a trip to Belgium can always be combined with visits to

other European markets. The office of the Commercial Counsellor will be glad to assist in making business appointments or suggesting suitable contacts.

Canadian manufacturers interested in investigating this important market should write to the office of the Commercial Counsellor, Canadian Embassy, 35 rue de la Science, Brussels 4, Belgium, providing descriptive literature, samples and c.i.f. prices. The office will be pleased to assess the potential for their products and recommend an appropriate course of action. ●

## **How's Business in Hong Kong?**

THE MANAGER of the Hong Kong Export Credit Insurance Corporation in a recently published article stated:

"We are often asked whether the recent disturbances in Hong Kong have had any adverse effect on the development of our business. The answer is emphatically no! Over the last three months, the number of new policyholders signing up with the Corporation for cover for the next twelve months has increased steadily and there has been a regular flow of new enquiries. The volume of business declared has confirmed that shipments have been going forward normally in accordance with previously agreed delivery dates and the majority of our policyholders with whom we are in regular contact advise us that there has been virtually no interruption in their normal business activities."

The value of Hong Kong's domestic exports for the first seven months of 1967 is estimated at \$654 million, up 17.7 per cent over the same period of the previous year. Re-exports were valued at \$238.6 million for the same period (up 35.7 per cent) and imports at \$1,148.6 million (up 16.4 per cent).

In commenting on the trade figures, the Director of Commerce and Industry said that the figures showed that Hong Kong's trade was continuing to improve despite disturbances.

"It is of interest to note that the aggregate value of domestic exports during the months of May, June and July 1967 was \$291.3 million, compared with the \$246.1 million for the cor-

responding months of 1966—that is to say, a very healthy increase of more than 18 per cent," he pointed out.

The value of Hong Kong's exports (\$106 million) for the month of August was the highest since November 1966. Imports during August, however, (\$122.49 million) showed a decrease of \$48.92 million compared with August of last year. This substantial decline is mainly attributed to the fall in imports from Communist China which began in April and accelerated in August.

It is true that the recent political disturbances have had a noticeable effect on the economy of the Colony. There is a reluctance on the part of some firms to introduce new products at the present time and a number of new capital investment projects are reported to have been postponed on a "wait and see" pretext. Although the flow was much less than was expected, capital has been relocated in other countries; Canada is reported to be one of the most prominent choices.

It is difficult to forecast the future with any degree of certainty because of the Colony's proximity to and dependence on Communist China. Nevertheless, Canadian exporters should be aware that at the present time conditions are returning to normal in Hong Kong and that most trade is being conducted on a "business as usual" basis.

—R. G. GODSON,  
*Assistant Trade Commissioner,  
Hong Kong.*

# The Netherlands: Problems and Progress

Per capita income in the Netherlands has risen by over half in six years and production is increasing despite localized unemployment. Kennedy Round tariff cuts will open the way for more exports from Canada, such as fancy meats, canned vegetables, and furs.

W. L. CLARKE, *Assistant Commercial Secretary, The Hague.*

THE NETHERLANDS is Canada's second largest trading partner in Continental Europe. In 1966, we sold goods worth Can.\$143 million to the Dutch and bought Can.\$60.5 million worth from them. Four factors make the Netherlands a key market for Canadian exporters.

- Rotterdam-Europoort is the largest, busiest and most modern port in the world, serving 160 million people within a 400-mile radius. In 1966, 130.4 million tons of cargo passed through Rotterdam; more than 28,000 ocean-going vessels enter the port each year. The Canadian exporting through Rotterdam is shipping to the nerve centre of European commerce.

- The Dutch are one of the world's greatest trading nations. They have

made remarkable industrial progress since the Second World War and have achieved a high standard of living and a sound economy. A great deal of the credit for these achievements is due to the Dutch businessman's ability to buy and sell in world markets. When the Canadian trades with the Dutch businessman, he is dealing with one of the most competent traders in Europe. In 1966, international trade represented about 50 per cent of all Dutch business transactions.

- The majority of Dutch businessmen speak and write English. The Canadian should have little trouble communicating with his opposite number in Holland.

- An over-all average of 968 inhabitants per square mile makes the Dutch market amazingly compact. Complete coverage is possible with a minimum of representation. A very large proportion of imported goods enter the Dutch market through agents whose services are particularly valuable in a country where much of the retail trade is in small units. Because the Netherlands has such an excellent network of internal rail, road and water transport, one agent is usually sufficient to cover the whole country.

## Spending on Leisure Goods

Despite inflationary pressures and a sharp rise in unemployment, the country continues to progress economically. The gross national product rose to Can.\$22.4 billion in 1966, a

rise of 10 per cent over 1965, compared with an average of about 6 per cent in the past five years. Per capita income has risen from Can.\$1,015 in 1960 to Can.\$1,653 in 1966 and this is reflected in more and more spending on luxury and leisure goods. Industrial production continued to rise in 1966, foreign trade expanded sharply, agricultural output was high, and house construction registered another large gain. The Dutch Government now feels that the housing shortage, a major problem since the Second World War, will be solved by 1970.

The Dutch are cautiously optimistic about 1967. The overstrained condition of the economy, a feature of the two preceding years, was intensified at the beginning of 1966. The second half of the year, however, saw a change in the trend and, for the first time since 1960, the number of unemployed exceeded the number of vacant positions. This downturn in the business cycle continued through the first half of 1967. Because total production has not declined but in fact has risen, there is no recession so far.

There has been a complete change in the labour field. Where there was once a labour shortage, there is now an unemployment problem. By May 30, 1967, the labour reserve was 3 per cent, three times the average of the last five years. The rise in unemployment varies widely with the different parts of the country—a low percentage in the west, but percentages beyond acceptable norms in the other districts, especially the northern and southern provinces. Unemployment is concentrated in the construction, textile and metal industries.

## NETHERLANDS FOREIGN TRADE IN 1966

	Imports (Can.\$ million)	Exports
EEC countries	4,704	4,072
of which:		
West Germany	2,163	1,973
Belgium/Luxembourg	1,652	1,106
EFTA countries	1,097	1,332
of which:		
Britain	531	603
Eastern Europe	164	127
Other European countries	199	274
United States	989	334
Canada	143	61
Total	8,707	7,331



The North East Polder shown here was reclaimed from the sea in 1940; today it gives high crop yields.

The balance of payments improved considerably during the first six months of 1967. The rise in exports played an outstanding part, with shipments of machinery, meat, chemicals, fruit and vegetables all rising sharply. Imports, on the other hand, rose far less.

#### Financial Questions Arise

The 1968 Budget, announced on September 19, provided for a deficit of approximately 2,777 million guilders (Can.\$833 million). The Government, although cautiously optimistic about next year's economy, warned that spiralling prices and wages could cause serious problems in the near future. It felt that average growth had been satisfactory since 1960 but there had been periods of great tightness in the labour market and wages and prices had been subjected to increasing upward pressure. The capital market had become progressively tighter and tighter.

The Government's main worry now is the change in the labour market from an over-all shortage to pockets of high unemployment. To combat structural and regional unemployment, structural and regional measures are needed and the Dutch Government has given this problem the highest priority.

External events, particularly the recession in Germany, play an important role in the Dutch economic picture. The effects of the tightness of money have been keenly felt. The volume of industrial investment stabilized in 1967 at approximately last year's absolute level and should remain about the same in 1968.

The Dutch Government requires to cover its deficit nearly 3,000 million guilders (Can.\$900 million) in 1967 and 2,700 million (Can.\$810 million) in 1968, compared with 1,750 million (Can.\$525 million) in 1965 and 2,200 million (Can.\$660 million) in 1966. As a result, it will have to seek

capital outside the public capital market in the next two years. This increase in the need for funds is largely attributable to the unemployment problem.

So far, the 1967 budget has had an expansive effect on the Dutch economy because of the considerable rise in government expenditure and revenue. With prospects as they are, the Government feels that the increase in the budget deficit in 1968 to approximately 2,777 million guilders (Can.\$833 million) is acceptable but the deficit must be reduced after 1968.

Some of the major steps that the Government proposes for the next year are:

- Restrictions on expenditures for education, defence, housing and social security.
- Tax relief by raising the lower limit for income tax.

● A 20 per cent surcharge on the present 10 per cent turnover tax on soft drinks, beer and wine, chocolates and sweets. (Put another way, the new turnover tax will be 12 per cent.)

● Some 140 million guilders (Can. \$42 million) for public works programs to provide employment in western and northern areas where unemployment is acute.

● Establishment of a government finance company which will raise 15 million guilders (Can. \$5 million) in the capital market to stimulate investment by Dutch firms in developing countries.

● Lifting of rent control on houses in some provinces, made possible because there is more housing.

### Exporting Natural Gas

Perhaps the most important event for the Dutch economy was the announcement late in September that the natural gas pipeline linking Belgium and France with the Groningen field had been completed in six months, well ahead of schedule. The supply of Dutch natural gas to

Belgium and France under contracts with Nederlands Aardolie Maatschappij (NAM Gas Export) will amount to 5,000 million cubic metres a year for industrial and domestic use in each of these countries. Gas began to flow through the pipeline at the Netherlands-Belgian frontier on September 26 and reached Paris on Sunday, October 1. Dutch exports of natural gas in 1966 totalled 143 million cubic metres which, at an average f.o.b. border price of 4.8 Dutch cents per cubic metre, amounted to approximately Can.\$7 million. Exports for 1967 are estimated at 1 billion cubic metres worth Can.\$48 million. The Dutch Government believes that by 1975 exports of natural gas will level off at 25 billion cubic metres a year, worth Can.\$1.2 billion.

### Kennedy Round Helps Canada

At this stage it is rather difficult to estimate the over-all effect of the Kennedy Round tariff cuts on Canadian exports to the Netherlands. However, the cuts will affect a considerable number of products which Canada has exported in past years. Of the 174 items on which the EEC will be making reductions, Canada sold 62

to the Netherlands in 1966, worth approximately Can.\$25 million. The duty on 47 items will be cut sharply and export prospects for these items should improve appreciably. Cuts of between 25 and 50 per cent will be made in tariffs on salmon, seeds, tallow, raw tobacco, sausage casings, alcohols and derivatives, anhydrides, industrial chemicals and explosives, polystyrene, writing paper, yarns of man-made fibres, outerwear, copper bars and rods, commercial communication equipment and sports equipment. Even more important, perhaps, are the cuts on products which up till now we have had difficulty in selling because of high tariffs. Examples are wood forms for construction purposes, fancy meats and canned vegetables, fur apparel, heavy machinery, aircraft equipment and electronic components.

### See for Yourself

The Dutch market has a rich potential and could take a larger volume of Canadian exports. Personal visits are still the best way of investigating market opportunities, but before starting you should get in touch with the Canadian Commercial Counsellor in The Hague. He will be pleased to investigate export possibilities if you send him descriptive literature, c.i.f. price lists for your goods and, whenever possible, samples. The Dutch market is always looking for new products, new ideas and new methods and it offers excellent opportunities to the energetic Canadian exporter. ●

### Canada Will Help India Seek Minerals

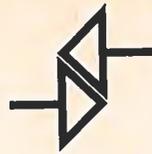
CANADA has announced a \$9 million development loan to India to help investigate commercially useable deposits of minerals. There are many known deposits of such minerals as copper, zinc, nickel, lead, bauxite, asbestos, and manganese, but their commercial feasibility has not been determined. Most of the funds will be used to supply the Geological Survey of India with mining and drilling equipment, prospecting equipment, and other types of geophysical equipment used in the exploration of mineral resources. The names of the consultants are expected to be announced shortly.

### WHAT CANADA SELLS TO THE NETHERLANDS

	1964	1965	1966		1964	1965	1966
	(Can.\$'000)				(Can.\$'000)		
Wheat	20,489	21,604	21,370	Oats n.e.s.	4,742	5,529	2,054
Flaxseed	7,068	9,281	13,158	Plywood, Douglas fir	935	1,959	1,926
Durum wheat	5,761	8,092	8,269	Aircraft assemblies and equipment	2,301	115	1,915
Wood pulp, bleached sulphate	2,655	3,549	6,464	Industrial chemical specialties and explosives	582	469	1,746
Cattle hides, raw	2,886	4,037	5,870	Navigation instruments, apparatus	1,632	3,261	1,486
Potassium chloride	—	—	5,378	Skim milk powder	269	4,351	1,384
Metal-bearing ores n.e.s.	20	814	4,805	Tallow	41	1,164	1,314
Pulpwood, balsam, fir and spruce	2,038	2,448	4,627	Lumber, western white spruce	4,996	1,998	1,259
Rapeseed	1,056	2,595	4,333	Yarn and thread of one synthetic fibre	12	303	1,247
Iron ore, concentrated	1,266	2,392	3,825	Sheet and strip steel	407	2,194	1,236
Zinc, ores and concentrates	855	110	2,987	Aluminum pigs and ingots	1,281	1,277	1,142
Alcohol and derivatives	2,656	2,736	2,821	Mustard seed	454	1,032	1,037
Rye	3,121	1,012	2,689	Military goods	210	1,035	981
Asbestos milled fibres groups 4 & 5	2,309	1,740	2,647	<b>Total, these products</b>	<b>75,356</b>	<b>94,834</b>	<b>114,818</b>
Lead pigs, blocks and shot	683	3,527	2,439	<b>Total exports, including all others</b>	<b>101,582</b>	<b>127,766</b>	<b>143,113</b>
Iron ore, agglomerated	1,176	2,432	2,329				
Plastic and synthetic rubber, not shaped	3,355	4,813	2,080				

Source: DBS.

# trade fairs



## German Fair Helps Sell Canadian Furs

CANADIAN raw and dressed furs this year were again one of the highlights of the International Fur Fair in Frankfurt, Germany. The Fair, which takes place in April, is a meeting-place for furriers from all over Europe and is one of the best ways of promoting Canadian furs in markets where the tariff changes in the Kennedy Round will help our sales.

The Department of Trade and Commerce for the tenth successive year put on a prestige display of top quality Canadian wild and ranch furs. European buyers could see and handle some of the best furs that Canada has to offer and put technical questions to experts from the Department of Agriculture and the Department of Trade and Commerce. There was a small reception area on the stand where Canadian fur brokers and representatives of the Canadian fur auctions could talk to customers and show them samples. The Canada Mink Breeders Association had a stand of its own this year so that it could promote ranch mink away from displays of competitive products. Some Canadian manufacturers



**Black Mink**



**Red Fox**



**Beaver**

of fur garments and other articles exhibited on their own or in conjunction with a European agent.

Canadian exports of furs and fur garments to Germany were worth \$4.5 million in 1965 and \$5.7 million in 1966. The 1966 figure was made up of raw furs, \$3.7 million (\$2.8 million in 1965); dressed furs, \$200,000 (\$200,000 also in 1965), and fur garments and articles \$1.8 million (\$1.5 million in 1965). Furs which were shipped to London and then sent on to German buyers are not included in these figures.

Fur garments from non-EEC countries are at present subject to a tariff of 19 per cent ad valorem on entering



**Marten**



**Lynx**

Germany but dressed furs pay only 7 per cent and raw furs enter duty-free. Many German furriers therefore import raw furs duty-free from Canada and have them dressed in Brussels, for example, and sewn in Italy. If they are then sold in Germany in competition with Canadian garments, they have in effect a 19 per cent cost advantage. The Kennedy Round will result in a progressive reduction of the tariff on finished fur garments and articles to 9.5 per cent and the first 40 per cent of the cut will be made in mid-1968. This will be of great help to the industry and will make it worthwhile for more Canadian furriers to exhibit at the International Fur Fair and enter the German market. The fair is an excellent place to meet customers and agents, compare prices, and study European styles.

Good exhibit space has been difficult to get in previous years because it has been taken year after year by the same exhibitors. In 1968, however, the Fair will move to a new hall with 30,000 square metres of floor space, more than the present five halls put together. There will be a rush for the best places in the new hall, so it would be wise to make arrangements early.

Canadian furriers exhibiting at the International Fur Fair next year (the dates are April 3-7, 1968) and those who want to know more about the German market for their products should write to the Commercial Counsellor, Canadian Embassy, Kennedy-Allee 35, Bad Godesberg, West Germany.

—R. J. BUCHAN,  
*Assistant Commercial Secretary, Bad Godesberg.*

### **Housing Show Key to British Market**

OF BRITAIN'S 18 million dwellings, one in four is owned by public authorities. In Scotland public ownership jumps to almost one in two.

The British Government has set a target of 500,000 new homes a year by 1970—28 per cent more than the 391,000 built in 1965—half in the public sector and half in the private. Obviously, the construction of housing by Local Authorities of British towns and cities represents a multi-million dollar market, and a good potential outlet for Canadian building materials, supplies, and equipment.

Of the several shows held each year for exhibitors wishing to reach Local Authority officials, the most important is the National Housing and Town Planning Conference and Exhibition. This year's show was held in Harrogate in September and Brighton is scheduled to play host in 1968.

The conference program included lectures on topics of interest to delegates. In the exhibition section a wide range of building components, construction materials, industrialized building systems, and prefabricated buildings were displayed. Attendance was restricted to members of the National Housing and Town Planning Council and their invited guests, such as architects and representatives of the building industry.

The exhibition offers a good medium for Canadian firms with sales representatives in Britain to sell building equipment, goods and services to Local Authorities. Further information can be obtained from the Canadian Trade Commissioners in Britain.

—JOHN H. NELSON,  
*Trade Commissioner, Liverpool.*

## Trade Fair Notes for 1968

● That *International Gift Show* you heard rumours about has been scheduled for August 1968 in New York. Tentative plans allow for a five- to seven-day exhibition to be held each August for three consecutive years. Several exhibitors have already signed for this event.

● The *Universal Marketing Show*, originally planned for this year in Los Angeles, will now open on February 4, 1968. Present plans include an exhibitors' tour after the Los Angeles opening; mentioned as possible stopping-places are Boston, Chicago, and Montreal. The shows in these three cities would take place within six to eight weeks of each other. Some 250 exhibitors have shown interest.

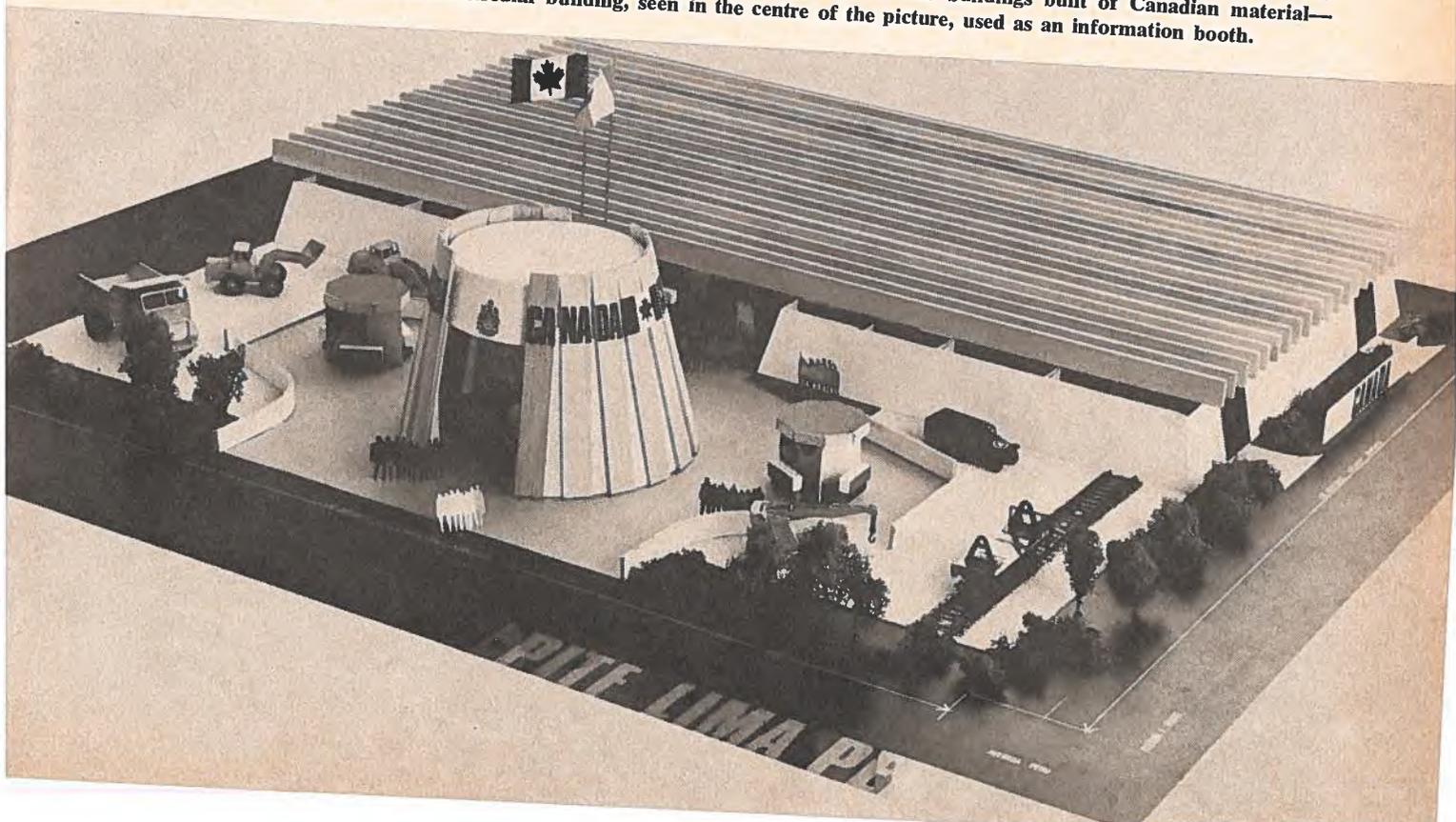
● For the travelling businessman who is thinking of including India in his next year's itinerary, Madras offers a fair of world-wide interest during January and February 1968. Sponsored by the All-India Manufacturers' Organization (AIMO), the *Indian International Trade & Industries Fair* has been designed as a forum where both Indian and international manufacturers can meet and display their wares.

Participants from all sources will be welcomed. Those interested should contact the Executive Secretary, Indian National Trade and Industries Fair 1968, Shenoy Nagar, P.B. No. 2522, Madras-30, South India.



Original Eskimo soapstone carvings highlighted the recent New York Gift Show. Here Mrs. Charles del Gaudio of Del Gaudio Inc., Michigan, admires the piece she purchased at the Canadian exhibit—priced to retail at \$2,500. Representing L'Association Co-operative de Povungnituk is Sandy Ananak of George River. Direct sales exceeded \$106,000, and some \$500,000 worth of business developed from show contacts.

Canada's new permanent exhibition pavilion (shown here) made its debut at the Pacific International Trade Fair, Lima, Peru, October 27 to November 12. Designed by the Canadian Government, it features two buildings built of Canadian material—the main exhibition area and a smaller circular building, seen in the centre of the picture, used as an information booth.



# Canadian Chow for Hong Kong

Canada's share in this \$437 million market for foods reached \$5.3 million in 1966. Increased interest in Western foods, plus improved living conditions, could mean a wider market for enterprising Canadian exporters—as this article shows.

ARMAND BLUM, Assistant Trade Commissioner, Hong Kong.

WHEN YOU USE the word *chow*, immediately you think of food. But did you know that this hunger-provoking word originated from the Chinese *ch'ao*, meaning to fry. Pidgin English acquired it many years ago and now it is an accepted colloquialism for food.

Chow today is all-important to the people of Hong Kong. Some Can.\$437 million worth of food is imported annually to feed its 4.5 million inhabitants. This huge amount of food is mainly supplied by Communist China, which ships in over 55 per cent (some Can.\$243 million) of total imports. Nevertheless, Western foods do find a market here. In the past, this special market was confined to three main groups: the European and American population in Hong Kong (some 30,000 to 40,000), a small percentage of better-off local people, and a substantial hotel trade catering to 500,000 tourists who visit the country each year. However, population growth, plus an improvement in living standards and an increasing interest in things Western, have all helped to widen this market.

Food imports into the Colony since 1956 have risen at an average rate of 8.1 per cent a year. Table I shows the growth by product group during the period 1964 to 1966. Last year the largest increases were in:

	Increase (Can.\$ million)
fresh and frozen meat	5.3
rice	5.1
coffee	4.8
live animals	4.5
fresh and frozen fish	3.0
alcoholic beverages	1.8
fresh fruits and nuts	1.7
cereal preparations	1.6
wheat	1.4

TABLE I  
FOODS IMPORTED INTO HONG KONG

Product Group	1964—1966		
	1964	1965 (H.K.\$'000)*	1966
Live animals	337,096	442,710	466,555
Meat and meat preparations	135,313	160,442	187,014
of which:			
fresh, chilled or frozen	83,034	95,416	122,838
dried, salted or smoked, whether or not in airtight containers	23,427	31,529	31,780
in airtight containers, n.e.s., and meat preparations, whether or not in airtight containers	28,852	33,497	32,396
whether or not in airtight containers	184,505	186,760	186,999
Dairy products and eggs			
of which:			
milk and cream	68,388	67,100	65,674
butter	10,458	10,829	10,973
cheese and curd	2,399	2,048	2,635
eggs	103,260	106,783	107,711
Fish and fish preparations	180,628	176,580	194,566
of which:			
fresh and simply preserved	163,082	157,513	173,144
in airtight containers, n.e.s., and fish preparations, whether or not in airtight containers (including crustacea and molluscs)	17,546	19,067	21,411
whether or not in airtight containers	431,241	398,312	448,335
Cereals and cereal preparations			
of which:			
wheat (including spelt) and maslin, unmilled	40,068	37,088	44,500
rice	301,484	274,059	301,100
barley, unmilled	1,282	896	1,000
maize (corn) unmilled	30,945	27,037	33,000
cereals, unmilled, other than wheat, rice, barley and maize	823	1,427	1,500
meal and flour of wheat or of maslin	28,847	24,546	24,500
meal and flour of cereals, except meal and flour of wheat or of maslin	4,604	5,732	5,000
cereal preparations and preparations of flour and starch of fruits and vegetables	23,186	27,527	35,000
whether or not in airtight containers	340,666	402,060	412,000
Fruit and vegetables			
of which:			
fruit, fresh, and nuts (not including oil nuts), fresh or dried	160,853	192,158	201,000

FOREIGN TRADE

With the exception of rice, which is still the basic food for 98 per cent of the population, the figures above reveal that there is a general trend toward a richer and more diversified diet.

### What Canada Sells

Canadian foods exported to Hong Kong reached Can.\$5.3 million in 1966, an increase of 4.1 per cent over 1965. Although our share of the total market is still small (1.2 per cent), we nevertheless ranked sixth as a supplier of Western-type foods, following

the United States, Australia, Japan, the Netherlands, and Britain, (but ahead of South Africa, France, Denmark and New Zealand). Table II shows the distribution of Canadian exports in 1960, 1965, and 1966.

Following the development of a local flour-milling industry, our wheat exports almost quadrupled over the six-year period up to 1965, reaching Can.\$2.1 million in 1966. During the same period, our sales of flour remained level, and in spite of strong Japanese competition we are still the main supplier of flour to the Colony.

Although the sale of British Columbia apples declined in 1966, the potential for further penetration of the fresh fruit market is still there.

Since the beginning of this year, a number of local trade inquiries by our office have resulted in attractive new business for Canadian food suppliers and processors. These include: chicken and duck feet (over \$26,000), pork tongue and hearts (\$13,000), turkey offal (\$2,200), fresh and smoked salmon (\$15,000), plus trial orders for canned meats, fresh cherries, maple syrup, honey, confectionery,

**TABLE I**  
**FOODS IMPORTED INTO HONG KONG**  
1964—1966

Product Group	1964	1965	1966
		(H.K.\$'000)*	
dried fruit (including artificially dehydrated)	12,592	14,848	15,387
fruit preserved and fruit preparations	25,590	28,503	28,032
vegetables, fresh, frozen or simply preserved (including dried leguminous vegetables); roots, tubers, and other vegetable products, n.e.s., fresh or dried	83,713	98,272	91,773
vegetables, roots and tubers, preserved or prepared, n.e.s., whether or not in airtight containers	57,918	68,279	75,815
Sugar, sugar preparations, and honey	186,649	100,196	107,976
of which:			
sugar and honey	170,550	81,912	87,289
sugar confectionery and other sugar preparations (except chocolate confectionery)	16,649	100,196	107,976
Coffee, tea, cocoa, spices and manufactures thereof	101,559	96,796	127,032
of which:			
coffee	64,517	37,913	63,205
cocoa	1,010	842	758
chocolate and other food preparations containing cocoa or chocolate, n.e.s.	11,828	17,772	14,924
tea and maté	28,467	28,041	31,459
spices	13,737	12,228	16,686
Feedingstuffs for animals (not including unmilled cereals)	25,137	24,513	27,525
Miscellaneous food preparations	49,702	53,535	57,659
of which:			
margarine and shortening	9,835	10,285	10,690
food preparations, n.e.s.	39,867	43,250	46,969
beverages	59,768	72,003	84,461
of which:			
non-alcoholic beverages, n.e.s.	119	207	3,087
alcoholic beverages	59,649	71,796	81,374
<b>Total</b>	<b>2,072,263</b>	<b>2,113,908</b>	<b>2,300,557</b>

Source: Department of Commerce and Industry, Hong Kong  
Rate of exchange: Can.\$1.00=H.K.\$5.26

**TABLE II**  
**CANADIAN EXPORT OF FOOD**  
**PRODUCTS TO HONG KONG**  
1960, 1965, and 1966

Product	1960	1965	1966
	(H.K.\$'000)*		
Wheat	3,928	12,684	14,752
Wheat flour	9,201	9,598	9,522
Apples, fresh	11	1,110	751
Malt	349	806	719
Meat	1,409	739	554
Alcoholic beverages	304	460	545
Fish	676	519	542
Milk	—	649	313
Eggs	—	—	62
Meat soups	n.a.	108	49
Fruits, preserved and prepared	8	44	26
Natural honey	—	—	19
Pickles	—	5	9
Cereal breakfast foods	942	18	—
Other food products	76	33	6
<b>Total</b>	<b>16,904</b>	<b>26,773</b>	<b>27,869</b>

Source: Department of Commerce and Industry, Hong Kong

\* Rate of exchange: Can.\$1.00=H.K.\$5.26

TABLE III—SOME FOOD PRODUCTS IMPORTED INTO HONG KONG 1966  
(H.K.\$'000)\*

Product Group	Total all countries except Communist China	Of which	Product Group	Total all countries except Communist China	Of which
Fruit, fresh, and nuts (not including oil nuts), fresh or dried	118,319	United States South Africa Australia Japan CANADA	Sugar confectionery and other sugar preparations (except chocolate confectionery)	15,082	Britain United States Japan Netherlands CANADA
Milk and cream	64,009	Netherlands Australia United States Britain CANADA	Chocolate and other food preparations containing cocoa or chocolate, n.e.s.	14,272	Britain Netherlands United States
Coffee	62,031	United States	Spices	13,526	Japan United States
Fish, fresh and simply preserved	53,522	Japan United States CANADA	Sugar and honey	12,079	Japan Britain United States New Zealand CANADA
Alcoholic beverages	47,769	France Britain Denmark United States Netherlands CANADA	Fruit, preserved, and fruit preparations	11,664	United States Britain Australia Japan CANADA
Live animals	47,659	United States	Butter	10,895	Australia New Zealand Netherlands United States
Wheat (including spelt) and maslin, unmilled	44,564	Australia CANADA United States	Meat in airtight containers, n.e.s. and meat preparations, whether or not in airtight containers	10,135	Britain Denmark United States Australia CANADA
Meat, fresh, chilled, or frozen	43,824	United States Australia New Zealand Denmark Netherlands CANADA	Margarine and shortening	9,125	Netherlands Britain United States
Vegetables, roots and tubers, preserved or prepared, n.e.s., whether or not in airtight containers	36,514	Japan United States Netherlands Britain CANADA	Eggs	3,973	South Africa Japan Australia CANADA United States
Food preparations, n.e.s.	34,636	United States Japan Britain South Africa CANADA	Dried fruit (including artificially dehydrated)	3,443	United States Japan Australia
Meal and flour of wheat or of maslin	24,733	CANADA Japan United States Australia	Meal and flour cereals, except meal and flour of wheat or of maslin	3,238	South Africa United States
Feedingstuffs for animals (not including unmilled cereals)	24,278	United States South Africa Australia	Cheese and curd	2,619	Australia Denmark Britain United States



A law recently passed in Yugoslavia encourages foreign investors to participate in local enterprises. Some of the provisions and what they mean in a socialist economy are discussed in this article.

Z. W. BURIANYK, *Commercial Secretary, Belgrade.*

ON JULY 19th, 1967, the long-awaited and fiercely debated investment law, permitting the participation of foreign private and public capital in the economy of the country, was passed by the Yugoslav Parliament.

In recent years, as trade barriers were removed, foreign competition in the Yugoslav market has increased tremendously. This, coupled with Yugoslavia's desire to compete effec-

of social ownership. Although the State has slowly been divorcing itself from direct economic involvement, confining its participation largely to the planning and administration of broad guidelines, it does step in to provide a guarantee for the integrity of the foreign partner's investment, and the right to transfer profits and repatriate capital. However, the State because of its policy would regulate, register and endorse such agreements only for fields of activity which are of special interest to the national economy.

Nor does this mean that investment for investment's sake will be permitted. Before receiving certification from the Federal Government, evidence must be presented that the agreement will also introduce modern technology and management techniques.

#### **Enterprise Must Be Profitable**

Before proceeding to the resolution of the problem of management, a brief explanation of the nature of a Yugoslav enterprise is necessary. Yugoslav enterprises function in a manner neither distinctively Eastern nor Western; the workers of an enterprise share in the profits and indirectly in the management. Although the prospect of too many voices in management would be discouraging, this is avoided by having a Workers' Council elected from and by all the employees. This Council functions like a Board of Directors in that, in most cases, professional management is recruited from outside the organization if the talent does not exist within. A familiar note—Yugoslav enterprises must operate profitably on their own competitive merits and those failing to do so go under as a Canadian business would.

In a foreign-domestic partnership, a special committee representing both the Workers' Council and the investors will jointly govern the business activity. No limitation is placed on the recruitment of managerial per-

# Yugoslavia Welcomes Foreign Capital

tively in third markets, made it increasingly clear that the economy would require new sources of investment capital, technology, organizational and modern business techniques. Although government and business have long tried to encourage foreign participation in various forms, an impasse was always reached because of the investors' desire to have a voice in the distribution of profits and the control of management. This clashed with the basic socio-economic philosophy of the country which provides for the constitutional right of social ownership and management by the workers. The law is an attempt to resolve this problem, acknowledging both the investor's rights in management and distribution of profits but not compromising socialism as practised in Yugoslavia.

#### **Social Ownership Protected**

Fundamentally the law permits foreign participation in an enterprise to the extent of 49 per cent while not, at the risk of sounding contradictory, permitting 49 per cent in ownership which would directly violate the idea

sonnel; this is decided by the contracting parties on an individual basis on evidence of need.

Contrary to earlier apprehensions, an agreement does not necessarily include provision for the phasing out of foreign ownership over a period of, say, 10 or 20 years. Although on the basis of an individual agreement this is permissible and possible, the aim of the legislation is rather to permit the foreign partner to grow with the success of the business. The tax structure has been designed to encourage this.

### Repatriation of Profits

The repatriation of profits is guaranteed and falls under federal jurisdiction, as do taxes on profits. The tax on profits for the foreign participant has been set at 35 per cent, and this is the only tax payable. Foreign partners must reinvest 20 per cent of their profits after taxes either in the original business, in a new venture, or in the National Bank at the normal interest rate. Foreign partners are encouraged to increase their participa-

tion through the reduction of taxes on that part of the profit which is reinvested in the existing operation or in other new organizations. For example, should a foreign interest invest at least 25 per cent of its profits, tax on that portion is reduced by 15 per cent; if 25-50 per cent of the profits are reinvested, the 15 per cent tax reduction on the first 25 per cent of profits would continue to apply, with the 25-20 per cent portion reduced by 30 per cent. If over 50 per cent is invested, there is a 50 per cent tax reduction, and so on.

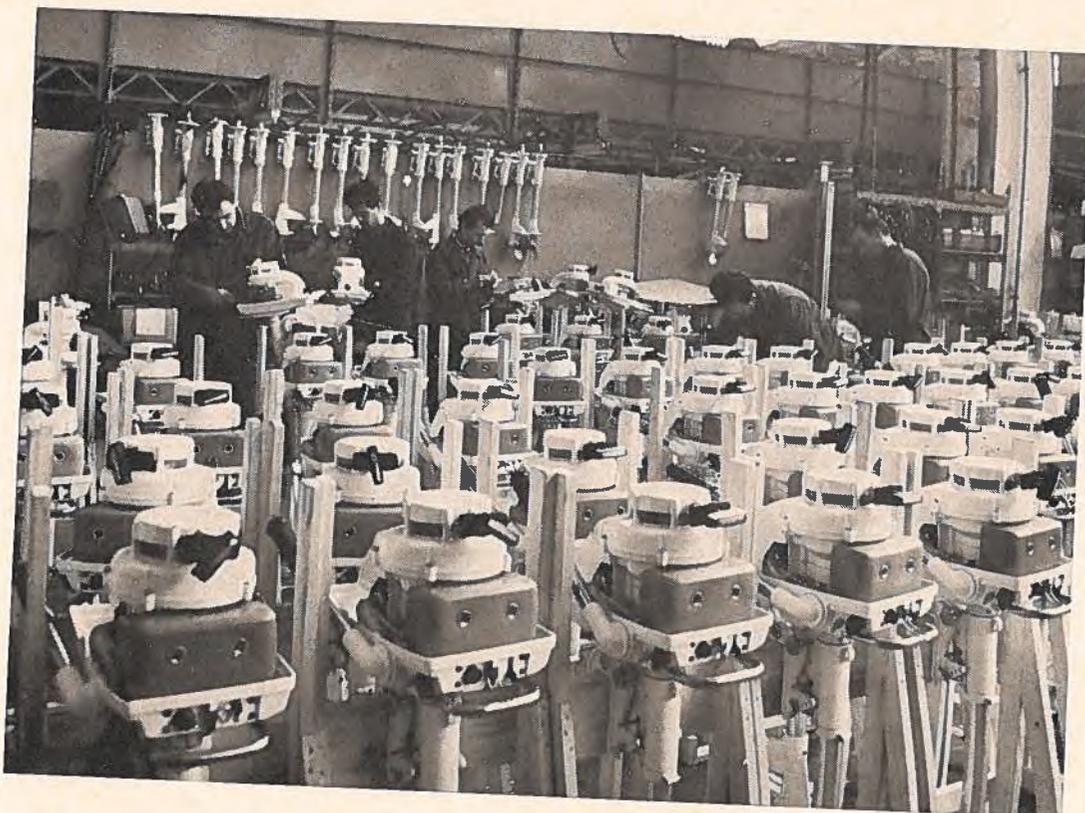
### Pinpointing Opportunities

There are many opportunities for investment in the manufacture of goods for the Yugoslav market and for export to third countries as well. Yugoslavia's industrial sector is large, varied and sophisticated and ranges from electronic devices to heavy electrical generators, comparable to those in Canada. The same is true for the chemical, transportation, textile, forestry and tourist industries. The last especially, considering its tremendous

growth in the last few years, is expected to continue expanding at an increasing rate. This points up the need for hotels, restaurants and other related services necessary to attract and accommodate the flood of foreign visitors. In 1966, 3.5 million foreign tourists spent more than \$160 million in Yugoslavia and it is expected that 1967 will see an increase of 25 per cent over these figures, placing a strain on the 500,000 available beds. The goal for 1970 is an income from tourism of \$400 million, which again emphasizes the necessity for heavy investment in this field.

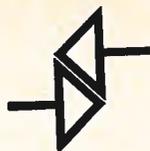
That this law is not being taken lightly is evidenced by the fact that many European firms are currently examining firm proposals for partnerships.

The Yugoslav Government has taken a large forward step in its interpretation of socialism and has served notice that there will be no turning back from the course of liberalization as the country strives to become a force in the markets of the world. ●



This Yugoslav plant turns out outboard motors. It is a good example of the varied industrial sector. —Yugoslav Public

# foreign tariffs and trade regulations



## Britain

**QUOTA FOR FRESH APPLES**—On October 17, the British Government announced that the quota for fresh apples from dollar and relaxation areas is being increased for the 1967-68 season. The quota for July-December 1967 has been increased by 50 per cent from 15,200 long tons to 22,800 long tons. The quota for January-June 1968 is being increased by one-third from 68,750 long tons to 91,670 long tons.

## Portuguese Overseas Territories

**FEES FOR CUSTOMS SERVICES**—Effective July 1, 1967, Decree Law No. 47,766 extends the application of the General Customs Fee Surcharge of the Overseas Territories to all imports. The level of this surcharge becomes 3.5 per cent in respect of clearance notes for imports, applicable to all imported goods no matter what source or port of shipment.

More detailed information may be obtained from the Office of Trade Relations, Department of Trade and Commerce.

# trade lines



## New nickel discovery in Australia

The discovery by Great Boulder Gold Mines Ltd. of nickel on its lease near Kalgoorlie, Western Australia, has set off a speculative boom in mining stocks there. In one of four holes showing nickel there was an assay of an average of 8.1 per cent for a six-foot section at a depth of between 375 and 381 feet; another hole assayed at 2.3 per cent for a nine-foot section. Substantial quantities of arsenic are associated with the nickel—Melbourne (by telex).

## Spain's pulp production spurts ahead

Spain's production of pulp last year amounted to 833,513 tons compared with 638,707 tons the previous year. According to the Spanish Economic News Service, the 1966 output included 178,501 tons of chemical wood pulp, 186,914 tons of chemical straw pulp, and 243,249 tons from waste paper. Paper production during 1966 included 94,602 tons of newsprint, 253,049 tons of printing paper, 108,763 tons of kraft and 258,941 tons of cardboard from straw and strazza. Production capacity of the paper industry jumped by 375,000 tons last year—Madrid.

## Chicago spends a billion

In the first eight months of 1967, expenditure by Chicago firms on plant and equipment amounted to almost U.S.\$1 billion, about a third more than in the same period of 1966. Among the major expansions are Coca Cola's 270,000 square feet of offices and plant, Hub Electric's 44,000 square feet of new plant, Chicago Candle's 42,000-square-foot plant expansion, and Cabinets & Shutters Inc.'s 30,000 square feet of new plant—Chicago.

## Ceylon adds to steel plant

The Ceylon Government has approved a proposal for a steel foundry, structural shop and galvanising plant, estimated to cost Rs. 5.2 million, to be added to the steel rolling mill which is now in production—Colombo.

## Pakistan builds new sawmill in Kashmir

The Azad Kashmir logging project will cost Rs. 16.9 million, including Rs. 6.5 million (approximately Can. \$1.3 million) in foreign exchange. Machinery and equipment, projecting services and technical supervision will be provided by Metalexpor Warszawa, Poland,

under an agreement with the Government of Pakistan. Preliminary work is to begin immediately and in two years the project will supply high-grade, fully seasoned timber for West Pakistan where timber now available is of poor quality and in short supply. The residue will provide raw material for private enterprise to manufacture about 5,000 tons of chipboard a year—Karachi.

#### **Communist China may buy more Japanese steel**

According to Japanese industry, Communist China imported 656,000 tons of steel products in 1965, worth U.S.\$127 million. Japan was the main supplier with 33.6 per cent of the market, the Soviet Union had 26, France 13.2, West Germany 11.8, Italy 7.4 and Britain 4.9 per cent. There are no estimates for 1966 yet. Japan plans to step up sales to Communist China which seems to be looking for alternatives to its European suppliers now that the Suez Canal is closed—Hong Kong.

#### **Venezuela to step up paper production**

Manufacturas de Papel C.A. (MANPA) will use a \$1.3 million credit from the United States Export-Import Bank to expand production at its Maracay plant, 60 miles from Caracas. MANPA makes kraft and bond paper and the extension will increase its output 25 per cent to 38,000 tons a year by 1971—Caracas.

#### **Norwegians to build pulp mill in Brazil**

The Borregaard group is planning to build a wood pulp plant in southern Brazil and is discussing financing with the World Bank—Rio de Janeiro.

#### **Colour TV begins in West Germany**

August 25, 1967, marked the start of colour TV in Germany operating on the German PAL system. It has been forecast that 80,000 colour TV sets will be sold there this year—Bad Godesberg.

#### **Ceylon manufactures tires and tubes**

The Ceylon Tyre Corporation factory is now making four popular sizes of "Kelani" brand tires and tubes: 5.20 × 14 and 5.60 × 15 for cars, and 7.50 × 20 and 8.25 × 20 for trucks and buses. This year's target is 50,000 tires and 90,000 tubes; capacity is 300,000 tires and tubes a year—Colombo.

#### **Hong Kong is distribution centre for cement**

A new cement plant on Tsing I Island is now in production. It was built with the help of capital from the Republic of China (Taiwan) and will serve the

Hong Kong construction industry. A pier for vessels up to 5,000 tons has been built and the facilities will be used as a distribution centre for markets in South-east Asia—Hong Kong.

#### **Brazil replans its fishing ports**

A commission was set up in August to produce a Four Year Plan for the construction and operation of fishing ports and the provision of facilities for fishing vessels at existing ports. It will report to the Brazilian Government within 120 days—Rio de Janeiro.

#### **Japan's agricultural output climbs**

The volume of Japan's agricultural production in 1966 advanced 3.6 per cent over the previous year and its value climbed by 10.2 per cent to a high of \$10 billion. Stock-raising accounted for 19.2 per cent of production value, silkworm breeding for 2.8 per cent, and all other farming for the remaining 78 per cent—Tokyo.

#### **Australia plans Resources Development Bank**

The major Australian trading banks and the Reserve Bank are forming an Australian Resources Development Bank to finance large-scale projects. It is expected to raise A\$250 million in the next few years—Melbourne.

#### **Macao's exports move up**

Macao's exports for the first six months of 1967 were \$10,368,657 compared with \$7,800,785 for the same period last year. Hong Kong is the top market, followed by West Germany and the U.S.; exports to Italy and France have recently improved. However, shipments to Angola and Mozambique, once Macao's two major markets, have declined—Hong Kong.

#### **Brazil plans first world fair for 1972**

Preliminary studies are being made for a world exhibition, probably in Rio de Janeiro or São Paulo, to be held in 1972. All countries which have diplomatic relations with Brazil will probably be invited to participate—Rio de Janeiro.

#### **Spain emphasizes nuclear power development**

The power plant at Zorita de Los Canes (Guadalajara) which opens next year will make Spain the eighth country to use nuclear energy for power. Two other plants are being built, one at Santa Maria de Garena (Burgos) which is to be completed in 1970, and one at Vandellos (Tarragona), which will be ready in 1971. By 1975 it is expected that 25 per cent of Spain's power will come from nuclear plants—Madrid.

### **Hong Kong starts up fourth flour mill**

The Far East Flour Mill at Tsun Wan began production recently. It has a capacity of 3,000 tons of wheat a month and will supply both domestic and export markets. Hong Kong's other mills are in Kennedy Town (one) and Kun Tong (two)—Hong Kong.

### **Norway produces self-fluxing pellets**

Norsk Jernverket has begun production at Mo i Rani of self-fluxing pellets developed to cut the cost of pig iron for blast furnaces. Ford of Dagenham, England, has received 11,000 tons of these pellets for testing—Oslo.

### **West German food exports soar**

West Germany's exports of food have shot up from \$279 million in 1961 to \$496 million last year, a 78.7 per cent rise—Duesseldorf.

### **Austrians harness hydro power**

About 40 per cent of Austria's hydroelectric power resources have now been developed. Most attention has

been directed to the Alpine regions where potential is greatest, but the Austrian section of the Danube, which could support 13 power stations, is also under development. The third Danube plant will begin operations next year with the installation of five generators at Wallsee-Mitterkirchen—Vienna.

### **New Zealand car in the offing?**

Australia and New Zealand Industrial Engineering Limited has developed plans to mass produce 4,000 to 10,000 cars a year, designed specifically for the New Zealand market. Costing approximately \$3,600 each, the cars would be wholly assembled in New Zealand but would contain imported engines, gear boxes and instruments—Wellington.

### **Germany maintains pulp and paper production**

West Germany's pulp and paper mills maintained last year's production during the first half of 1967, with 333,000 metric tons of dissolving grade pulp, 309,000 of mechanical grade pulp, and 2,164,000 of paper and board. Except for sulphate grades, imports of pulp, paper and board continued to decrease—Hamburg.

## **Trade Commissioners on Tour**

### **Temporary Duty in Ottawa**

The following will be on temporary duty in Ottawa and may be contacted through the Trade Commissioner Service, phone 992-9930 (area code 613).

**P. D. Donohue**, Consul and Assistant Trade Commissioner in Chicago, November 24-30.

**D. Keddie**, Vice Consul and Assistant Trade Commissioner in New York, November 23-25.

**J. D. Tennant**, Assistant Commercial Secretary in Port-of-Spain, Trinidad, November 6-17.

### **In Territory**

**Bermuda**—J. D. Welsh, Vice Consul and Assistant Trade Commissioner in New York, will visit Bermuda November 19-December 3.

**Central America**—R. D. Sirrs, Commercial Secretary in Guatemala, will visit El Salvador, Honduras, Nicaragua, Costa Rica and Panama during the second half of November.

**Ceylon**—A. W. Evans, Commercial Counsellor in New Delhi, India, will visit Colombo November 16-20.

**Guyana**—J. D. Tennant, Assistant Commercial Secretary in Port-of-Spain, will visit Georgetown December 17-23.

**Indo-Chinese States**—A. Blum, Assistant Trade Commissioner in Hong Kong, will visit Laos, Vietnam and Cambodia November 21-December 11.

**South Africa**—A. C. W. Davis, Assistant Trade Commissioner in Johannesburg, will visit Durban, Natal, November 20-24.

**Indonesia**—J. H. Bailey, Commercial Counsellor in Singapore, will visit Djakarta November 27-December 1.

**Spain**—L. A. Campeau, Commercial Counsellor in Madrid, will visit Barcelona November 20-24.

**Surinam**—K. G. Ramsay, Commercial Counsellor in Port-of-Spain, Trinidad, will visit Paramaribo November 19-25.

**Thailand**—J. H. Bailey, Commercial Counsellor in Singapore, will visit Bangkok November 13-18.

D. H. M. Branion, Assistant Commercial Secretary in Singapore, will visit Bangkok December 11-15.

**United States**—D. S. M. Baker, Vice Consul and Assistant Trade Commissioner in San Francisco, will visit Denver, Colorado, November 13-17, Wyoming November 20 and 21, and Salt Lake City, Utah, November 22-24.

**Windward Islands**—J. A. Ahow, Commercial Officer in Port-of-Spain, Trinidad, will visit St. Lucia, St. Vincent and Grenada December 3-9.

Businessmen who would like the above to undertake assignments for them should write to the post as soon as possible.

# Tarbela Dam Means Big Business

Pakistan is now ready to begin work on the last link of the vast Indus Basin power and irrigation scheme. Canadian firms may compete for sub-contracts and orders for equipment worth millions.

W. J. JENKINS, *Commercial Counsellor, Rawalpindi.*

ON November 30, 1967, four groups of contractors will present bids for the \$849 million Tarbela dam in West Pakistan, the largest contract ever under offer. None of these consortia is Canadian, but Canadian firms will be able to compete for sub-contracts and the very large equipment tenders that will be called.

Tarbela is the last link in the \$1.9 billion Indus basin irrigation and power scheme drawn up after the Indus Water Treaty was signed in 1960 and the Indus Basin Development Fund was created. The treaty provided the basis for the equitable distribution of the waters of the Indus basin between India and Pakistan, and the Fund the foreign exchange to pay for works needed for Pakistan to make effective use of its share.

## Ten Billion Kilowatt-Hours

Tarbela will be Pakistan's largest hydroelectric and water storage project. When it is completed in 1975, it will produce one quarter of West Pakistan's power needs. By 1985, its output should have risen to 10 billion kwh., a third of West Pakistan's expected requirements of electricity at that time. But the dam's main purpose is to store water in the summer flood season and release it in winter when river levels are low and irrigation unreliable. The water stored in the Tarbela reservoir will raise river levels by one-third to half during the winter when the major food crops are grown. Anyone who has seen the parched fields of the Punjab during a drought will realise the blessing this represents.

The centerpiece of the Tarbela project will be an earth and rock filled dam nearly 500 feet high and 9,000 feet long. The dam and its embankment will take 179 million cubic yards

of fill. The reservoir will hold 9 million acre-feet. Twelve turbine generators, each rated at 175,000 kw., will be installed between 1975 and 1985. Work at the site has already begun. A Canadian firm is supplying and installing the steel superstructure on the pilings which an Italian firm is putting in for a bridge across the Indus at the dam site. A railway line and a direct road to the site are under construction and the West Pakistan Water and Power Development Authority already has a large colony of engineers and technicians at Tarbela.

## Financing Assured

The foreign exchange cost of Tarbela dam will be \$490 million. It was by no means easy to obtain this, but the financing is now assured. The \$310 million that still remains in the Indus Basin Development Fund will be allocated to Tarbela, and pledges from Pakistan consortium countries and the World Bank will fill the \$180 million gap. All of these offers, with the exception of \$25 million from the World Bank, are tied to financing equipment and services from the donor country but, to permit international tendering, the value of the pledges exceeds the value of the foreign exchange required. Thus, whether a country's pledge is utilized or not will depend on the interest and competitiveness of its firms.

Canada has expressed its willingness to provide up to \$30 million from its future aid to Pakistan for financing jointly with the World Bank business won by Canadian firms under international competitive bidding. France has similarly offered from \$30 to \$40 million, and Italy \$25 million. One of the consortia that will tender

on the Tarbela project is German, and Germany has offered to contribute \$100 million in untied aid if the German consortium receives the main contract, or \$50 million of tied aid if it does not. Britain is prepared to make up to \$25 million available from its future pledges to Pakistan. Finally, the Export-Import Bank of the U.S.A. has offered to loan up to \$50 million for Tarbela, if required. Four consortia have been approved to tender on the main civil engineering works contract: Guy F. Atkinson of San Francisco and Morisen Knudson of Boise, Idaho (Guy F. Atkinson was the main contractor for the recently completed Mangla dam in Pakistan); Hochtief AG of Essen, West Germany, and Impregilo of Milan, a mixture of Italian and French firms. Although there is no consortium from Canada, a number of the companies in the two U.S. consortia have subsidiaries in Canada.

The stakes are high, not only for the member firms of the consortia, but also for equipment manufacturers throughout the world. According to Pakistan's calculations, equipment purchases alone during the first two years of the eight year contract period should reach \$90 million. If one of the U.S. consortia is the prime contractor, equipment orders worth an estimated \$330 million could go to North American suppliers, \$121 million to Europe, and \$38 million to Japan. If one of the two European consortia succeeds, Europe could receive \$260 million of orders compared with North America's \$200 million. In approximately one year, a second set of prequalifications will be conducted for bids on the mechanical and electrical equipment to complete the project. ●

# Foreign Exchange Rates

These nominal quotations may help exporters in checking prices, but they should consult their banks before making any firm commitments. When more than one rate is shown, the one to be used 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.

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

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

For conversion of column one to the U.S. dollar equivalent, multiply by .93 To convert column two, divide by .93.

Country and Currency	Value of		Country and Currency	Value of	
	Foreign Currency unit in Canadian dollars	Canadian dollar in foreign currency units at October 27		Foreign Currency unit in Canadian dollars	Canadian dollar in foreign currency units at October 27
Algeria Dinar	.2188	4.57	Denmark Krone	.1547	6.46
Argentina Peso (free)	.0031	322.58	Dominican Republic Peso	1.073	.93
Australia Dollar	1.19	.8333	Ecuador Sucre (official) (free)	.0596 .0543	16.67 18.42
Austria Schilling	.0415	23.98	El Salvador Colon	.4291	2.33
Bahamas Dollar	1.045	.9569	Fiji Pound	2.689	.37
Belgium and Luxembourg Franc	.0216	46.25	Finland Markka	.2554	3.91
Bermuda Pound	2.985	.33	France, Monaco, etc. <sup>3</sup> Franc	.2188	4.56
Bolivia Peso	.0901	11.07	Franco-African Republics <sup>4</sup> Franc	.0044	227.79
Brazil Cruzeiro (official free)	.3970	2.53	French Pacific <sup>5</sup> Franc	.0120	82.64
Britain Pound	2.985	.33	Germany D Mark	.2679	3.73
British Honduras Dollar	.7463	1.34	Ghana New Cedi	1.051	.95
Burma Kyat	.2255	4.43	Greece Drachma	.0358	27.86
Ceylon Rupee	.2241	4.46	Guatemala Quetzal	1.073	.93
Chile Escudo (bank rate) (free)	.1931 .1703	5.18 5.87	Guyana Dollar	.6219	1.61
China, Republic of New Taiwan Dollar (official)	.027	37.05	Haiti Gourde	.2146	4.66
Colombia Peso (fixed)	.066	14.95	Honduras Lempira	.5364	1.84
Congo, Republic of <sup>1</sup> Franc	.0072	139.50	Hong Kong Dollar	.1866	5.31
Costa Rica Colon	.1619	6.18	Hungary Forint (official)	.0921	10.86
Cuba <sup>2</sup> Peso	.....	.....	Iceland Krona (official)	.0250	40.00
Czechoslovakia Koruna	.1490	6.71	India Rupee	.1428	6.99

Country and Currency	Value of		Country and Currency	Value of	
	Foreign Currency unit in Canadian dollars	Canadian dollar in foreign currency units		Foreign Currency unit in Canadian dollars	Canadian dollar in foreign currency units
	at October 27			at October 27	
<b>Indonesia<sup>6</sup></b> Rupiah	.....	.....	<b>Peru</b> Sol (free)	.0273	36.36
<b>Iran</b> Rial	.0142	70.42	<b>Philippines</b> Peso (free)	.2738	3.66
<b>Iraq</b> Dinar	3.003	.33	<b>Poland</b> Zloty (fixed basic rate)	.2682	3.73
<b>Ireland</b> Pound	2.985	.33	<b>Portugal &amp; Colonies<sup>7</sup></b> Escudo	.0373	26.66
<b>Israel</b> Pound	.3576	2.80	<b>Saudi Arabia</b> Riyal	.2066	4.84
<b>Italy</b> Lira	.0017	581.86	<b>Sierra Leone</b> Leone	1.493	.67
<b>Japan</b> Yen	.0030	335.37	<b>South Africa</b> Rand	1.493	.67
<b>Kenya</b> Shilling	.1402	7.13	<b>Spain &amp; Dependencies</b> Peseta	.0179	55.55
<b>Lebanon</b> Pound (free)	.3326	3.00	<b>Sweden</b> Krona	.2076	4.82
<b>Malaysia</b> Dollar	.3503	2.85	<b>Switzerland</b> Franc	.2471	4.04
<b>Mexico</b> Peso	.0858	11.61	<b>Syria</b> Pound (free)	.2811	3.56
<b>Morocco</b> Dirham	.2151	4.65	<b>Thailand<sup>1</sup></b> Baht (free)	.0520	19.64
<b>Netherlands</b> Florin	.2984	3.35	<b>Tunisia</b> Dinar	2.060	.49
<b>Netherlands Antilles</b> Florin	.5689	1.77	<b>Turkey</b> Lira	.1192	8.36
<b>New Zealand</b> Dollar	1.487	.67	<b>United Arab Republic</b> Pound (official)	2.470	.41
<b>Nicaragua</b> Cordoba	.1533	6.52	<b>United States</b> Dollar	1.073	.93
<b>Nigeria</b> Pound	2.997	.33	<b>Uruguay</b> Peso (free)	.0079	126.58
<b>Norway</b> Krone	.1500	6.66	<b>Venezuela</b> Bolivar (official free)	.2389	4.18
<b>Pakistan</b> Rupee	.2239	4.47	<b>West Indies</b> Dollar <sup>8</sup>	.6219	1.61
<b>Panama</b> Balboa	1.073	.93	Pound <sup>9</sup>	2.985	.33
<b>Paraguay</b> Guarani (free)	.0090	112.36	<b>Yugoslavia</b> Dinar (official)	.0858	11.63

1. Additional rates are in effect.
2. There is no trading in Cuban pesos in U.S. or Canadian banks at present.
3. Franc is also used in French Guiana, Guadeloupe and Martinique.
4. Chad, Central African Republic, Congo, Dahomey, Gabon, Ivory Coast, Mali, Islamic Republic of Mauritania, Niger, Senegal, Upper Volta, Camerouns, Togoland, and Malagasy. Also Reunion, Comoro Islands, St. Pierre and Miquelon.
5. New Caledonia, New Hebrides, French Polynesia.
6. Because of the complexity of the Indonesian exchange rate system, it is impractical to quote a single representative rate for the rupiah.
7. Approximately same rate for Portuguese territories in Africa.
8. Barbados, Trinidad and Tobago, Leeward and Windward Islands.
9. Jamaica.

# Marketing Data Sheet

## SPAIN

### Area

195,000 square miles.

### Climate

There is wide variation within the country: the northern coastal area is mild and wet; the large central plateau surrounding Madrid is dry, with extremes of heat in summer and cold in winter, and the Mediterranean coast is dry, with hot summers and cool winters. Centigrade scale is used.

### Population

In 1965, population was 31.7 million

15-24	4.7 million
25-34	4.8 million
35 and over	12.7 million

### Households

In 1965, there were 8.6 million households, 44 per cent in rural areas and 56 per cent in towns. Housing starts in the period from 1961 to 1965 averaged 6.62 per thousand persons.

### Income

GNP in 1965 was Pesetas 1,305 billion (Can.\$23.6 billion). Per capita income in 1966 was approximately Can. \$740, average hourly wage Can.\$0.45.

### Bank Accounts

The 83 savings banks held 13 million deposit accounts in 1965, representing some 29 per cent of total bank deposits.

### Motor Vehicle Registrations

Some 1,195,000 vehicles were registered in 1965, of which 807,300 were passenger cars and 324,700 were commercial vehicles.

### Telephones

87 per thousand persons in 1966.

### Radio and Television

There are 700 radio and 45 television receivers per thousand households. There is a state-owned non-commercial radio network and several private stations. The Government owns the TV broadcasting facilities (625 lines per picture).

### Water Supply

Safe in major cities. Hardness varies from place to place.

### Electric Power

50-cycle a.c. 110 and 220 volts (depending on location, both available in Madrid) three-phase. No grounding conductor is required in the electrical cord attached to an appliance. The cost for the same class of consumption is uniform throughout

Spain. One-shift working gives average cost of Ptas.0.796 kwh. (including taxes) for 1,900 hours a year; two-shift working Ptas.0.696 kwh. (including taxes) for 4,300 hours a year, and three-shift working Ptas.0.643 kwh. (including taxes) for 6,600 hours a year. Capacity of 3,000 producers amounted to 10 million kw. in 1966 (28 producers accounted for about 90 per cent of the total). Residential consumption was 5,690 million kwh., industrial consumption 19,800 million, and agriculture only 90 million. Production and distribution are being rationalized and 220 kv. lines will be designed for later conversion to 380 kv. The distribution system has no ground wire. Per capita consumption is 1,185 kwh. Capacity will be doubled by 1970.

### Coal

Bituminous, anthracite and lignite available. Production in 1965 was 15 million tons. Imports in 1965 were 1.5 million tons, mainly for the steel industry. Reserves are estimated at 1 billion tons, half of which is suitable for coking.

### Gas

Manufactured, natural gas and butane available. Production in 1966 was 426 million cubic metres, consumption 380 million. There were 565,000 domestic consumers. The trend is away from coal as a raw material and in 1969 propane will be imported from Libya.

### Petroleum Products

The industry is controlled by the state monopoly CAMPSA. Gasoline consumption in 1966 was approximately 14 gallons per capita (population 31.7 million). Production in 1965 included:

Propane and butane	326,000 metric tons
Gasoline 65-79 octane	42,000 " "
80-89 "	446,000 " "
90-97 "	716,000 " "
Gas oil	2,439,000 " "
Fuel oil	5,622,000 " "

### Weights and Measures

Metric except for local land measures.

### Screw Thread

Metric right hand.

### Standards

Gas and electric appliances must meet local bylaws.





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