foreign trade

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COVER . . . This issue, fourth in our quarterly series, features reports on the 15 countries of Western Europe, exclusive of the United Kingdom; brings the reader up-to-date on the business and trade picture there.

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The OEEC

. . . what it is and what it does.

THE ORGANIZATION FOR EUROPEAN ECONOMIC CO-OPERATION, with headquarters in Paris, was set up in 1948 by the principal countries of Western Europe as a central agency to co-ordinate efforts towards postwar recovery, and has since become a major factor in the European economic scene. Under the terms of the Convention for European Economic Co-operation, the 17 member countries* undertook "to work in close co-operation in their economic relations with one another." Specifically, the OEEC objectives are:

- To promote increased output, stable currencies and the effective use of manpower in each of its member countries.
- To develop joint programs for the expansion of trade and for multilateral payments within Europe.

The underlying purpose of OEEC is to enable European countries to become more independent of outside help and to create conditions for freer trade between Europe and the rest of the world. The work of the OEEC was thus envisaged as an important transitional step in the progress of European countries towards multilateral trade and payments with the outside world. Most of the member countries are also signatories of the General Agreement on Tariffs and Trade.

Formulating Policy

Although OEEC membership is limited exclusively to European countries and their overseas territories, Canada and the United States are associated with the Organization and are represented at many of its meetings.

The Organization's policies are formulated by a Council of Ministers from each member country, assisted by an Executive Committee and a permanent Secretariat. In addition, the OEEC has set up a number of technical committees responsible for the continuing study of specific problems in European production, trade and payments. There are, first of all, the more general committees which OEEC has established to co-ordinate and promote joint action on European trade, payments, manpower allocation, etc., and to study problems common to all member countries. Next there are the more specialized committees on coal, iron and steel, timber, pulp and paper, machinery, tourism, and various other sectors of industry. These examples give some indication of the scope of the OEEC committees and the wide range of the Organization's activities.

The most notable developments in the field of European trade and payments under the OEEC have been the liberalization program and the setting-up of the European Payments Union.

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* Iceland, the Irish Republic, the United Kingdom, Austria, Belgium-Luxembourg, Denmark, France, Germany, Greece, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey.

Since 1949, OEEC member countries have undertaken to eliminate gradually quantitative restrictions between one another. Although progress in this direction has been uneven and has suffered certain setbacks, liberalization measures under the OEEC have removed many of the non-tariff barriers to trade among European countries. It should be noted that removal of restrictions under this program applies only to intra-European trade and does not directly affect the restrictions which many OEEC countries maintain against dollar goods.

Closely related to the trade liberalization program is the system for multilateral payments within Europe set up through the European Payments Union. The European Payments Union was established in 1950 for the purpose of making European currencies convertible amongst themselves and thus eliminating the need for a strict bilateral balancing of accounts between individual countries in Europe.

How EPU Functions

The technical mechanism of the Union is somewhat complex and only a brief explanation of its workings need be given here. It functions like a central clearing house for intra-European transactions. Each member country's trade and payments with all other EPU countries are conducted on a multilateral basis and each then settles its balances with the Union as a whole and not, as before, with the individual trading partner.

In effecting these settlements, each EPU member is assigned a quota based on past trade. Any deficit with the Union up to a given percentage of the quota is settled by a credit accorded by the Union. Whenever this deficit increases, the debtor country is required to make settlement, in increasing proportions, in gold or U.S. dollars. Deficits above the quota must be paid fully in gold or U.S. dollars. Conversely, if a country becomes a creditor with the rest of the EPU area, its surplus will be settled partly in gold or U.S. dollars received from the Union. As its surplus position increases, however, the creditor country must extend credit to the Union in increasing proportions.

This gold-credit mechanism is intended to act as a system of incentives and penalties, inducing each country to take corrective measures in order to maintain approximate balance with the EPU area as a whole. At the same time, it allows for normal fluctuations in intra-European trade.

In practice, operations under EPU have met with difficulties from time to time, as one or another country found itself in an extreme surplus or deficit position with the Union as a whole. Thus, in late 1951 and during 1952, both the United Kingdom* and France, (formerly outstanding creditor countries) found themselves in heavy deficit with EPU. To redress their balances in European trade, both these countries re-imposed restrictions on EPU imports. Since that time the United Kingdom has again relaxed these restrictions.

Other difficulties have arisen from time to time and the following articles deal in greater detail with the specific European trade problems faced by many of the members of EPU.

—Maurice Schwarzmann
International Trade Relations Branch

* Payments of all overseas sterling area countries with Europe are cleared through the U.K.'s EPU position.

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Canada's Trade with Europe

CANADIAN TRADE WITH EUROPE has increased steadily in recent years. Our exports to Europe have not only grown in value but they now account for a larger share of our total exports than before the war. This increase has been achieved in spite of dollar import restrictions which most European countries have put into effect because of their balance of payments difficulties. Belgium, Luxembourg and Switzerland are the only relatively free European markets for dollar goods.

Canadian exports to Europe are usually larger than imports from that area. In 1952, they totalled $476 million; imports from Europe totalled only $151 million.

Canada's Trade with Europe

(D.B.S. statistics—in million dollars)

	Exports to Europe	% of total exports	Imports from Europe	% of total imports
1938	73·2	9·3	39·9	5·9
1947	347·8	12·5	57·6	2·2
1949	228·0	7·6	84·4	3·1
1952	475·8	10·9	151·2	3·8

Composition of Trade

Canadian exports to Europe have traditionally consisted largely of foodstuffs and primary materials. The most important Canadian export to Europe is wheat ($192 million in 1952). Other large exports are coarse grains and other agricultural products, fish, base metals, asbestos, lumber, wood pulp and similar raw materials.

Canadian sales to Europe of fully manufactured goods have also greatly increased—from about 4 per cent of the total before the war to over 15 per cent in 1952. The most important goods in this category are whisky, powdered and condensed milk, newsprint, farm implements, tractors, machinery, automobiles, synthetic rubber, plastics and medicinals.

Canadian imports from Europe are headed by industrial machinery and equipment and agricultural products and include a great variety of manufactured consumer goods.

Canada's most important European trading partners are the industrial nations of Western Europe; trade with the agricultural Eastern European countries has always been small. Canada's principal European trading partners in 1952 are shown in the following table:

Leading Countries in Canada's Trade with Europe

(D.B.S. statistics—in million dollars)

Canadian Exports to:

	1951	1952
Belgium-Luxembourg	94	104
West Germany	37	95
Italy	49	53
France	47	48
Netherlands	26	42
Norway	32	39

Canadian Imports from:

	1951	1952
Belgium-Luxembourg	39	33
West Germany	31	23
France	24	19
Switzerland	16	16
Netherlands	14	16
Italy	14	12

Many long-term development projects have taken shape in Europe since the war, either with Marshall Aid or independently. Here, for example, is the Limberg dam under construction at the Tauern power station in Austria.

In addition to being our most important European trading partner, Belgium-Luxembourg was last year the third largest market in the world for Canadian exports and the fifth most important supplier of imports into Canada. Western Germany came fifth and tenth respectively.

Canada has in force trade agreements providing for the exchange of most-favoured-nation customs treatment with most European countries. The General Agreement on Tariffs and Trade is the most important of these.

The following European countries are signatories of the GATT: Austria, Belgium, Czechoslovakia, Denmark, Finland, France, Western Germany, Greece, Italy, Luxembourg, the Netherlands, Norway and Sweden. Under this agreement, Canada exchanges most-favoured-nation treatment with these countries in all matters relating to customs duties, import charges and other related customs formalities. Canada has negotiated reciprocal tariff concessions with all these countries under the GATT.

Canada also exchanges most-favoured-nation tariff treatment with Portugal, Spain, Switzerland, Poland and Yugoslavia under separate trade agreements.

Canada's treaty relations with Albania, Bulgaria, Eastern Germany, Hungary, Romania and Soviet Russia are not regulated by trade agreements and imports from these countries come under the Canadian general tariff.

—F. P. Weiser
International Trade Relations Branch

Austria

- *Development projects planned to give employment.*
- *New rate of exchange fixed for trade transactions.*
- *Continuing division of the country hampers progress.*

BERNE—It is rather difficult to summarize briefly developments in Austria during the last twelve months because the last quarter of 1952 witnessed an economic crisis which precipitated a political one.

Since the last World War, inflation has plagued Austria's economy. The sharp rise in the cost of living which followed the outbreak of war in Korea was checked at the beginning of 1952 and during the year prices and wages remained practically unchanged. The Government's firm policy of stabilizing the economy by credit restrictions and other means was successful and things seemed to be going rather well as the spectre of inflation receded. Then unemployment began to be serious.

The Unemployment Problem

One of the principal tasks of the new coalition government constituted on April 1, 1953, is to create opportunities for work. A powerful impetus is to be given to activity in the investment field—with a view to expanding production—under new methods of financing aimed at preventing inflation. The Government plans to issue in the near future a loan for the development of the country's waterpower resources. In the private sector also, it is hoped that it will be possible to provide more employment by intensifying investment. The Government will try to reduce taxes within the possibilities of the national budget, in the interest of wage-earners. The construction of houses is to be pushed and social security measures increased.

The Budget

The budget for 1952, which had been provisionally drawn up to cover the period January-May 1953 under a system of monthly quotas, has been extended to the end of the current year. The present Government considers that this will guard against any inflationary tendencies in public finance.

The ordinary budget for 1952 closed with total expenditures of 20,454 million schillings and receipts of 20,479 million schillings, leaving a surplus of 25 million. Whereas the ordinary and extraordinary budget estimates together had provided for a total deficit of 534 million schillings, the fiscal year closed with a real deficit of 509 million. This deficit was covered by the issue of short-term treasury bonds.

A new rate of exchange for trade transactions was fixed on May 4, 1953, by the National Bank of Austria, unifying the two rates previously established. This measure to stimulate exports had been contemplated for several months. The former artificially held rate of 21·36 schillings to the U.S. dollar, which applied to the export-import trade, was raised to 26 schillings. The latter "premium" rate had been in effect for transfers of capital and for exchange brought in by foreign tourists.

Because it proved difficult to sell Austrian goods abroad at the 21·36 exchange rate (previously applicable to exports because of their high price), the Government turned to a system whereby a number of export industries were authorized to dispose of a part of their foreign exchange earnings to importers in a position to pay a higher rate. These objectionable "coupled" transactions will now disappear. At the same time, the practice of compensation and barter deals, undertaken in an effort to overcome exchange difficulties, should gradually die away.

The general public feared that a wave of price increases would follow the devaluation. But the authorities held that the measure was well-timed because commodity prices have been falling on international markets. They believe that the effect on Austria's overall balance of payments will be beneficial, although imported raw materials and essential products will become more expensive. The improvement in Austria's agricultural production and the higher output of hydro-electrical energy are reducing the country's dependence on imported foodstuffs and fuels, and thus reducing the demands on foreign exchange.

Foreign Trade

Austria's total imports during 1952 were valued at 13,956 million schillings, only slightly below 1951 imports at 14,027 million.

Exports rose by 12 per cent in 1952 to 10,803 million schillings. This increase was made possible by a reduction in Austrian export prices from the peak in April to the end of December (during this period the export price index fell by 20 per cent) and by the favourable trend in international market conditions. Austrian exporters were assisted in reducing their prices because restrictions on imports and foreign exchange made it possible for them to maintain their sales in the domestic market. A peak of 1,020·3 million schillings for exports was reached in November 1952, but the figure of one billion schillings, considered as the target to meet the needs of the national economy, fell to 817 million in January 1953, and to 812 million in February.

The increase in exports and the decline in imports resulted in the unfavourable balance of trade of 487 million schillings for the first quarter of 1952 turning into a favourable balance of nine million for the last quarter of the year. Austria's deficit with EPU was changed into a surplus of one million dollars in August, and in November this surplus increased to nearly ten million.

Austria's principal export markets in 1952 were Western Germany, Italy, Great Britain and France; the leading foreign suppliers were Western Germany, the United States, Great Britain and Italy, in that order.

The devaluation of the schilling effected at the beginning of May 1953 has brought Austria's currency closer to its real value on the exchange markets and is expected not only to check the fall in Austrian exports but to increase them substantially.

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Austria's trade with Eastern Europe continued to be small. Her exports to the five Danubian countries—Bulgaria, Czechoslovakia, Hungary, Romania and Yugoslavia—have decreased from over 28 per cent of total exports in 1937 to less than 10 per cent at the present time. Austria's imports from these countries have fallen from 35 per cent of total imports to about 7 per cent. To compensate for these losses, Austria must extend her trade with Western Europe and with the rest of the world.

Trade with Canada

The recent devaluation of the schilling has injected a new factor into the development of trade between Canada and Austria. Canada's exports to this country rose from $2,166,000 in 1951 to $5,216,000 in 1952. The increase was mainly due to last year's exceptional imports of Canadian cereals, which totalled $3,293,000. After the last war, offshore purchases in Canada under the Marshall Plan (which included asbestos, ferro-alloys, copper bars and rods, hides and skins, sole and upper leather, and chemicals) helped to boost exports to Austria. With the gradual reduction of ERP funds, Canadian exports of some of these commodities have decreased or stopped. The general effect of Austria's lack of dollars has been to limit imports from Canada to raw materials or other essential products.

Canada's imports from Austria decreased from $3,191,000 in 1951 to $2,917,000 in 1952, almost entirely because of lower Austrian shipments of synthetic staple fibres. Excluding these fibres, Canada's imports from Austria last year amounted to $1,735,000, including, apart from jute fabrics and ball bearings, such things as lace, clothing, jewellery, smokers' requisites and fancy goods of leather or other material. The devaluation of the schilling will assist sales of other products on the Canadian market.

Future Prospects

Austria's economy is going through a process of readjustment after the long period of deflation which ended at the beginning of last year. The new coalition government formed at the beginning of April 1953 has adopted a policy of creating a climate favourable to the investment of foreign capital, essential to develop Austria's waterpower, increase industrial output and assure employment. The devaluation of the Austrian currency has stimulated exports and an attempt is being made to free foreign trade by the easing or removal of the foreign exchange and other restrictions which have been in effect since the last war.

The economy is handicapped by the fact that Austria, eight years after the end of the war, is still divided into four military zones, which, with the exception of the American zone, saddle the country with the costs of the occupation. In particular, it should be remembered that the zone occupied by the USSR contains about one-third of Austria's 6·9 million inhabitants. In 1946 the Soviet occupying authorities seized about 220 industrial enterprises, a number of agricultural properties and all Austria's valuable oilfields, which they have since operated on the basis of extra-territoriality. Most of the production under Soviet control is exported to the USSR. There is thus sound reason for Austria's hopes for the earliest possible return of its complete freedom.

—Yves Lamontagne
Commercial Counsellor for Canada

Belgium

- *Export prices for steel have fallen sharply.*
- *Some dollar import restrictions now removed.*
- *High production costs causing some anxiety.*

BRUSSELS—For the Belgian economy, 1953 has not lived up to the promises held out at the end of the previous year and the present situation has given rise to some apprehension about the future.

First of all, general economic activity and particularly industrial production slowed up in 1952. This contraction was already apparent in the latter part of 1951. Second, the fall in prices of raw materials on world markets following the post-Korean boom had an unfavourable influence on the economy. Third, retail prices have not readjusted themselves to this downward trend, and this has led to the maintenance, not to say the increase, of salaries and social services for state and industry.

All this in the face of increasing competition, especially from neighbouring countries such as Holland and Germany with their lower production costs, has had repercussions, particularly in the latter part of 1952 and in early 1953.

In brief, prices and industrial production have declined, unemployment has increased, and the trade balance has become less favourable.

Industrial Production

In the important industries such as coal and steel, increased stocks have accumulated, with more than two million tons of reserves compared with 446 thousand at the end of the winter season 1951-52. So far, the coming into effect of the price schedules established by the European Steel and Coal Community (Schuman Plan) does not seem to have benefited the coal industry.

The Belgian iron industry exports about 60 per cent of its production; the remainder is for home consumption. Supplies for the home market are readily covered by the Belgian and Luxembourg iron and steel works and imports consist of special quality products such as sheet iron, special steels, etc. In 1952, Belgium and Luxembourg exported 4·5 million tons of iron and steel products, of which Belgium's share was 60 per cent. Output was reduced in the latter part of the year, however, in the face of declining international demand.

Average monthly production in the early part of 1953—approximately 400 thousand tons—represented a decrease of some 10 per cent compared with the early part of 1953. An agreement, however, between the Belgian, French, Luxembourg and German steel industries on prices for exports outside of the Schuman Plan has had a good effect on the industry.

Iron and steel output in Belgium is of particular importance to Canada because iron and steel products are the main import from Belgium. Most of the more important steel works have formed companies to centralize their sales. These separate selling organizations generally group

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together companies which are financed by the same bank. This system has proved effective, especially for exports, and has promoted specialization. Ucometal and Siderur, for instance, are names that are now familiar to Canadian iron and steel importers who are in touch with these companies' representatives in Canada.

The metallurgical industry has also slowed up production; so have such industries as building and construction as a result of a decrease in public works in Belgium during the latter part of 1952. This is particularly noticeable in the Government's programs, which have only been partially carried out.

Luxembourg and Its Steel Industry

Belgium and Luxembourg are partners in an economic union. Luxembourg also shares with Belgium a common interest in the success of the Schuman Plan. The economic importance of Luxembourg, because of its vast steel enterprises, is greater than its small size would indicate.

Some 21 thousand of the 38 thousand industrial workers in Luxembourg are employed in its steel industry. This industry is largely concentrated in the hands of three companies, of which the largest is the "Aciéries Réunies de Burbach-Eich-Dudelange" (ARBED), which has five factories with 17 blast furnaces, 15 Thomas converters and various electric furnaces and rolling mills. Arbed's share of Luxembourg's rough steel production is some 65 per cent. This company has been supplying Canada with some of its products.

Because export prices for steel have fallen sharply in the last six months and Luxembourg with its high wage scales is vulnerable to competition, the immediate outlook is somewhat uncertain.

External Trade

In external trade the trend is much the same as in general economic activity. In 1951, average monthly exports amounted to 10,976 million francs ($219 million); in early 1952 they were about 11,500 million francs ($230 million). Today (1953) they are about 9,500 million francs ($190 million), a reduction of some 20 per cent. The balance of trade has shown a constant deficit since the month of August. Export prices are said to have gone down some 11 per cent and import prices have gone down 6 per cent. The terms of trade have therefore become less favourable.

Imports of finished products, especially from Holland, have remained high, indicating stiff foreign competition with Belgian products on the home market, because of price differentials favouring imports.

Gold and Currency Reserves

The unfavourable trend has naturally affected gold and currency reserves. These amounted to some 38,661 million francs ($773 million) at the end of July 1952 but had diminished to some 35,181 million francs ($703 million) at the beginning of 1953. As a result, some thought is being given to bringing costs down and encouraging investment and increased production.

Belgium's trade since the war has been constantly increasing in both volume and value. From 1946 to 1951 total trade tripled in volume and multiplied four times in value. In 1952, however, despite the maintenance of the volume the value fell, mainly because of a drop in prices.

In terms of dollars, trade in 1952 totalled some $4·9 billion, compared with $5·2 billion in 1951. In comparison, Canada's total trade in 1952 amounted to $8·4 billion.

Belgium's Trade with Canada

Belgium is Canada's third best customer, buying in 1952 over $104 million worth of Canadian products (compared with $94 million the previous year) and Canada's fifth supplier, sending over $33 million worth of goods in 1952, compared with $39 million in 1951.

Notwithstanding a decrease of some $6 million in Canadian imports from Belgium, the constant postwar growth of our trade with Belgium continued during 1952, with a total of $137·5 million as compared with $123·5 million in 1951.

European Payments Union

Belgium was for a long time a creditor to European members of EPU. Since December 1952 she has shown a deficit in her accounts, amounting in March 1953 to over 800 million francs ($16 million).

In December the Belgian deficit amounted to 61 million Belgian francs, ($1·2 million). For the last six months of 1952 she had an accumulated total credit of 448 million francs (approx. $9 million). Since December, however, Belgium has shown deficits in its accounts, thus allowing it to reduce the credits formerly acquired. At the end of 1952, these accumulated EPU credits amounted to $248 million; by March 1953 they had been reduced to $237·1 million. This relative equilibrium achieved with EPU compares satisfactorily with the large credits accumulated earlier.

Benelux, which met with so much success in its preliminary stages during the years 1948 to 1951, has been considerably criticized, particularly towards the latter part of 1952 and in 1953, because of growing Dutch exports to Belgium, the result of lower costs of production and lower wage scales in Holland. Belgium's wage scales are the highest in Europe.

A Customs Union of the Benelux countries has been in force since 1948 and measures are now under consideration for an agreement to establish compensation for the industries affected by this competition so that a full economic union can be formed.

Schuman Plan

On February 10, 1953, the High Authority of the European Community of Coal and Steel instituted under the Schuman Plan opened a common market for coal and iron ore and scrap between the six member countries—Western Germany, France, Italy, Belgium, the Netherlands and Luxembourg. On May 1st all tariff barriers and quantity restrictions in the way of the free movement of steel within these six countries were also abolished. This may well be the first effective step towards a fuller realization of economic integration in Western Europe.

The monetary restrictions which were applied in the autumn of 1951 against the import of goods from the dollar area remained in effect throughout 1952. These restrictions had been protested by Canada and other countries as being inconsistent with Belgian obligations under the

GATT. Quotas, however, were established for a number of items, the import of which had not otherwise been permitted. These quotas were based upon imports during the first six months of 1951.

Effective February 1, 1953, Belgium removed many of these restrictions, bringing the controls on dollar imports more into line with those on goods from the non-dollar area and thus improving the position of the Canadian exporter on the Belgian market. There is, however, still a residue of import restrictions on dollar imports and licences must still be obtained for a number of goods coming from Canada.

The Dollar Gap

One of the fundamental remaining problems is the dollar gap. While trading with the east is still restricted and the turning towards the west has increased Belgium's dependence on dollar sources for necessities such as food, cotton, etc., that country finds it difficult to balance its trade with the dollar area. It has, of course, endeavoured to encourage its dollar exports, particularly to the United States.

During the first half of 1952 the deficit in U.S. dollars remained about the same as in 1951, i.e., 7,900 million francs, ($158 million). During the second half, this dollar deficit was reduced to 3,000 million francs ($60 million) because imports requiring dollars, such as cereals and cotton, were smaller, steel sales to the United States increased, and some offshore deliveries were made under the heading of military aid.

Part of the deficit was covered by external borrowing and part by converting surpluses with other countries. These surpluses, however, were reduced in 1952 to $206 million, compared with some $600 million the previous year. A small part was met out of proceeds of government grants.

Agriculture

Belgian agriculture is said to cover 68 per cent of the needs of the country, apart from supplying considerable products for export, such as sugar, pork, potatoes, chicken, eggs, etc., outside of horticultural products such as fruit and vegetables. Agricultural products comprise 3 per cent of the value of exports, and, in recent years, some 14 per cent of imports, as compared with 21 per cent in 1948. About 12 per cent of the population is actively engaged in agriculture.

During the course of the year agricultural products brought better prices but, on the other hand, production costs increased.

One of the principal imports is cereals; approximately 550 thousand tons of wheat were imported under the International Wheat Agreement. (Belgium's annual production is approximately the same.) The free market, on the other hand, supplied 300 thousand tons at a higher cost per ton. The major part of these cereal imports came from Canada, (422 thousand tons in 1952).

Other important agricultural products are flax and sugar beet, both of which were produced in greater quantities than during the previous year. Horse-breeding has diminished in importance.

A recent study of the balance of payments shows that in 1950 Belgium had an unfavourable balance of some three billion francs, ($60 million), mainly because of large stock purchases resulting from developments in Korea. In 1951 this turned to a credit balance of some 16 billion francs, ($320 million).

The year 1952 did not prove as profitable; the favourable balance dropped to 9·5 billion francs, ($190 million). Reserves are said to have increased by approximately five billion francs ($100 million), the difference between the two figures representing investments in the Congo and non-repatriated income.

In conclusion it may be said that Belgium has made progress, thanks primarily to favourable postwar conditions, but finds itself faced today with a new situation. To maintain the high level of prosperity achieved, she must find ways of increasing production by creating new industries and streamlining costs to meet growing world competition.

—T. J. MONTY
Commercial Secretary for Canada

Denmark

- *Great achievements marked the year 1952.*
- *Remarkable improvement in foreign exchange position.*
- *Prospects are that boom will continue throughout 1953.*

OSLO—In the economic history of Denmark the year 1952 will be remembered as a period of achievement. The most important feature of the year was the remarkable improvement in the foreign exchange position—the dollar credit balance held by the National Bank was doubled and at the end of the year amounted to 502 million kroner. Credit balances in the currencies of countries outside the dollar and EPU areas also increased and the balance in favour of EPU was reduced by nearly one-fifth. Marshall Aid received by Denmark dropped to only about 40 million kroner, compared with 421 million kroner in 1951.

The circumstances which made it possible to increase the dollar balance in spite of the reduced Marshall Aid were many. The most important were the rich harvest obtained for the third year in succession, thus reducing the necessity of importing feedingstuffs from the dollar area; considerably increased exports to the United States; a general improvement in Denmark's terms of trade; and an economic policy which checked the inflationary tendencies in the internal economy.

When the terms of EPU facilities were last revised in June 1952 to stipulate payment in gold or dollars for amounts drawn in excess of 10 per cent of the total quota, Denmark was permitted, as a special concession, to draw up to 20 per cent of her total EPU quota of 1,346 million kroner without making such payments. Now, because of the improved balance of payments, Denmark has voluntarily offered to forgo this privilege.

Other immediate results of this favourable development have been the complete derationing of all goods; the easing of price control, the abandonment of ceiling prices and subsidies on a number of consumer

This Danish craftsman is at work on handmade silver, for eventual export to dollar countries. A system of premiums, introduced in August, has helped to step up sales to the dollar area.

goods; the further liberalization of imports from EPU countries; the raising of the amount of foreign currency allotted to Danish tourists travelling abroad from 750 to 2,000 kroner per year, and the gradual relaxation of the strict fiscal and monetary policies of the postwar years. In fact, conditions in Denmark are now closer to normal than at any time since the beginning of the war.

Foreign Trade

The fall in prices of most imported commodities, coupled with the relatively stable export prices, meant a further improvement in Denmark's terms of trade. Imports during 1952 were valued at 6,644 million kroner, 349 million less than in 1951. This decrease should be looked at in relation to the fact that imports based on Marshall grants were reduced from 380 kroner in 1951 to 40 million kroner in 1952. Exports, which aggregated 5,864 million kroner, can be classified as follows: agricultural produce, 3,399 million kroner; industrial goods, 2,187 million; fish, 182 million, and other goods, 96 million. Compared with 1951, this was an increase of 121 million kroner for agricultural produce, a drop of 63 million kroner for industrial goods, and a rise of 11 and two million kroner respectively for exports of fish and other goods.

About 78 per cent of Danish imports were purchased in OEEC countries in 1952, and 80 per cent of exports were sold to that area. The United Kingdom retained first place as customer and supplier, taking 38·6 per cent of Danish exports and supplying 27·6 per cent of imports. Denmark's second most important trading connection is now Western Germany, which took 12·5 per cent of total exports and supplied 15·5 per cent of total imports.

Exports to the United States rose by 60 per cent in 1952—from 164 million kroner in 1951 to 279 million. It was of particular significance to the dollar problem that the balance of trade with the United States improved during the second half of 1952, when exports made good progress, stimulated by a system of premiums introduced in August on the export of goods to the dollar countries. Imports from the dollar area were reduced, partly because of increased buying possibilities in other countries, and partly because of lessening need for imports of feedingstuffs and grain from those areas. Denmark's exports to the American forces in Europe, which, though they mainly comprise foodstuffs, cannot be classified as purchases in accordance with the "off-shore" program more than doubled in 1952 to 73·8 million kroner as compared with 34·5 million in 1951.

Trade with Canada

Imports from Canada were almost doubled, totalling $9·9 million as compared with $5·6 million in 1951. The two most important items were grain and grain products and base metals, these alone representing $9·1 million of the total imports from Canada. Exports to Canada, on the other hand, declined from $3·7 million in 1951 to $2·2 million in 1952, with dairy products, eggs and honey, raw fertilizers and minerals showing the greatest declines.

During the first quarter of 1953 the value of Danish imports declined compared with the same period of 1952—1,775 million kroner as against 1,830 million. The value of exports, however, rose from 1,539 million kroner to 1,553 million, thus further improving Denmark's trade balance. This increase in the value of exports was entirely the result of larger agricultural production; exports of farm products alone rose from 873·6 million kroner in January-March 1952 to 976·4 million in the corresponding period of 1953.

Shipping and Fisheries

The expansion and modernization of the merchant fleet was continued in 1952, and tonnage showed a net increase of 80,000 gross registered tons, bringing the total to 1,368,000 tons on December 1, 1952. A further expansion of the fleet may be expected in the near future as by the end of the year, Danish shipowners had placed orders for the construction of 74 vessels to a total of 460 thousand gross registered tons. The prolonged and steep decline of tramp freight rates (which continued until the last few months of the year, when there was a slight improvement) resulted in the freight index for December 1952 being 46 per cent below that of December 1951. The earnings of the shipping trade were, however, not reduced in the same proportion as the freight rates. In the first place, many vessels had been chartered for some time ahead and were not immediately affected by the fall in rates and, in the second place, the decline was not nearly as marked in the tanker and liner trades. The merchant fleet therefore was able to contribute substantially to Denmark's foreign exchange earnings.

The total catch of the fisheries increased from 292·5 million kilograms in 1951 to 329·2 million in 1952. This was mainly the result of the constantly increasing catch of the so-called industrial fisheries, most of whose output consists of North Sea herring used to make herring oil and herring meal. This catch increased by some 17 million kilograms as compared

74386—4

with 1951. The amount of fish caught for human consumption also increased in 1952; most of it was exported fresh or frozen. The value of fish exports showed an increase from 171 million kroner in 1951 to 182 million in 1952.

Agriculture

The 1952 harvest was even larger than those of the three preceding years, and should prove the basis for an expanded animal production in 1953. Conditions varied considerably in the individual branches of animal production but taken as a whole it did not quite reach the 1951 volume. However, the higher prices meant that the production value was a little larger. A counting of pigs on December 27th revealed a total stock of 3,906,000 head, 3,000 less than at the previous census on November 8th, but 677 thousand head more than at the end of 1951. A simultaneous counting of cattle showed a total stock of 2,953,000 head, or 21 thousand more than at the same time in 1951. Total exports of agricultural produce were valued at 3,399 million kroner in 1952, as compared with 3,278 million in 1951. Generally speaking, 1952 was a favourable year for agriculture, and farmers were able to make substantial investments in mechanizing and improving their farms, which will also make for increased productivity.

Industry

The industrial production index (1949 equals 100) dropped from 113 in 1951 to 107 in 1952. The production of consumers' goods was rather low at the beginning of the year, principally because of the fiscal and credit-restrictive measures introduced towards the end of 1950 and the beginning of 1951 to reduce consumption. It showed some revival, however, towards the end of the year. The net result for the year was a decline of five points, from 109 to 104, in the production index for this type of goods. The manufacture of producers' goods, on the other hand, which was fairly well maintained during the first six months of 1952, declined in the second half of the year. This must to a large extent be ascribed to falling prices for raw materials which diminished investment and also the demand for producers' goods. As a result of this development, the total index for the year for producers' goods was six points lower than in 1951.

Prospects for 1953

Business conditions in Denmark generally are still very favourable. The halting of price rises, coupled with increased employment, has provided the purchasing power necessary to maintain a high level of activity. Agricultural incomes are rising, and it is expected that the net value of agricultural production will be still larger this year than in 1952, which should mean increased exports. In industry, the output of consumers' goods should improve and the industries directly or indirectly dependent on building construction are sure of a very good year. The foreign exchange situation is continually improving and liquidity on the money market is high. The boom in Denmark is therefore well supported by domestic economic factors and there is every prospect that it will continue for at least the rest of the year.

—J. L. MUTTER
Commercial Secretary for Canada

Finland

- *Exports of forest products fell off in 1952.*
- *Unemployment has reached serious proportions.*
- *Imports from Canada declined by $434 thousand.*

STOCKHOLM—The temporary boom in prices in 1950 and 1951 for Finland's main export products in world markets has had a serious and adverse effect on the economy. The great rise in prices for timber and timber products, pulp, paper and cardboard during those years was accompanied by a sharp rise in wages and a heavy increase in imports. Symptoms of a return to normal began to appear during the last quarter of 1951 and continued throughout 1952. However, it was not until late in the year that the fall in industrial production began to slow down and prices to steady. Meanwhile, diminishing currency reserves forced a reduction in the flow of imports, the money market became extremely tight, and unemployment increased alarmingly. The number of registered unemployed, which stood at about 10 thousand in March 1952, increased to over 35 thousand by the end of the year, reached its peak at 65,600 in March 1953, and dropped to around 56 thousand in April.

Cellulose Industry Affected

Although overseas markets for sawn goods have steadied somewhat and operations have improved during the last quarter, the cellulose industry has been badly hit and export prices have reached a level at which, it is claimed, producers are unable to operate profitably. This industry worked at only 75-80 per cent capacity throughout 1952 and some plants have shut down altogether since the turn of the year. Domestic sales for the year were up by about 8 per cent as compared with 1951, but there was a substantial falling-off during the last quarter.

The Government's economic advisers have advanced several schemes to combat the recession, all aimed at lowering production costs in the all-important export industries. There has been some talk of currency devaluation, but this is firmly opposed by the Central Bank.

Industry

The total volume of industrial production dropped by 7 per cent as compared with the previous year, but it was still about 11 per cent above the 1948-1951 average. The export industries suffered the most; their output was down by 15 per cent. The production of sawn goods fell from 1,055,000 standards to 750 thousand, wood pulp from 1,386,000 tons to 1,156,000 tons, and plywood from 314 thousand tons to 233 thousand tons. Newsprint, on the other hand, achieved an increase of about 4 per cent—from 421 thousand tons to 439 thousand tons. Other papers declined from 266 thousand to 246 thousand tons.

74386—4½

The home market industries were fairly well maintained, with the average for the group only about 4 per cent below the previous year, largely because of the metal industries, which comprise about 40 per cent of the total. The foodstuffs and luxury and the textile and clothing industries also held up well. But leather and rubber, stone clay and glass, and the chemical branches all reported declines.

Agriculture

In spite of unfavourable weather conditions during the last half of 1952, crop production appeared to be up by 7 per cent over 1951, but the harvest suffered some damage. The latest estimate put the total crop at 3,614 million fodder units, compared with 3,383 million in 1951. Milk production is estimated to be about 8 per cent above 1951; butter production increased 7 per cent and cheese 16 per cent.

Finland is self-sufficient in meat, milk products and eggs and normally produces a small surplus for export, and is close to self-sufficiency in potatoes. She is deficient in bread grains and fertilizers and largely depends on imports for her sugar and vegetable oils.

Foreign Trade

The favourable trade balance of 31,000 million marks* achieved in 1951 became a deficit of 25,000 million marks in 1952 when imports rose by 26,000 million to 182,000 million, and exports fell by 30,000 million to 156,000 million marks.

The principal reason for this wide fluctuation was, of course, the collapse of overseas markets for forest products which normally account for some 90 per cent of Finland's exports. A secondary reason was the sharp rise in imports because licences were granted freely during the export boom which reached its peak in 1951.

Of total exports in 1952, 44·8 per cent consisted of timber and timber products, 23·2 per cent of pulp, 19·2 per cent of paper and cardboard, and 7 per cent of metal products. The chief customers were the United Kingdom which took 24 per cent of the total and the Soviet Union which took 17 per cent. Of the remainder, 9 per cent went to Western Germany, 7 per cent to France, and 6 per cent to the United States.

Imports increased in all categories, except certain raw materials, notably the textile and chemical groups. The United Kingdom was the principal supplier with 19 per cent, followed by Western Germany with 12 per cent, the Soviet Union, 12 per cent, France, 9 per cent and the United States, 6 per cent.

Trade with Canada

Trade with Canada amounted to less than 1 per cent of the total. Imports declined from $3,129,000 in 1951 to $2,694,282 and wheat constituted about half of this. In 1915 Finland bought no wheat from Canada but took $915 thousand worth of rye. Purchases of passenger cars declined only slightly from $445 thousand to $412 thousand, but trucks dropped from $626 thousand to $122 thousand, and tires and tubes from $457 thousand to $91 thousand. On the other hand, purchases of brass bars, rods and strips and metal manufactures n.o.p., rose from nothing to $116 thousand and $111 thousand respectively.

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* One Finnish mark=0·43 cents Canadian.

Exports to Canada totalled only $233,701 of which $44,500 was settlers' effects. Granite and granite manufactures accounted for $63,697; the balance consisted of fur skins, cream separators, wooden doors and calf skins and kips. The two last items represented new business.

Taking into consideration Finland's present financial difficulties and the necessity to curb dollar imports, no increase in Canadian exports to this country can be expected. However, essential shipments of grain, autos and parts, various metals and certain classes of machinery should continue.

Finland wants to increase her dollar earnings in Canada; a start has been made with wooden doors and calf skins, and the market for ready-built houses is being investigated.

—F. W. FRASER
Commercial Counsellor for Canada

France

- *Chronic budget deficit remains a major problem.*
- *Exports to foreign countries up slightly in '53.*
- *Trade continues heavily in Canada's favour.*

PARIS—Although during the past twelve months the threatened deterioration of the price structure and weakening of the franc was brought under control, neither the chronic budgetary unbalance nor the steadily mounting deficit in the external balance of payments has been solved. French export trade was badly hit by the severe import restrictions imposed in November 1951 and March 1952 by the United Kingdom, but exports to other areas have also fallen off. Nor have the French import restrictions imposed in February 1952 served to arrest materially the flow of imports. The adverse balance in the trading account thus deteriorated considerably during the past year.

Production Slows Up

The general and steady advance in industrial production that characterized the postwar years appears to be definitely checked. Starting in the slack summer period of 1951, the production index (1938=100; 1945=45) moved steadily upward till February 1952, when the peak was reached and held till April. Following the seasonal slackening last summer, the index recovered to the 1951 level until November, when an unseasonal but slight fall became noticeable. This trend has been reflected in a nagging and persistent monthly increase in unemployment. Registered unemployed, however, now number only about 72 thousand out of a total estimated working force of about 20 million.

The most noteworthy achievement during the last twelve months was the establishment of the Schuman Plan. On February 10, 1953, all barriers to the free trade in coal, iron ore and scrap were removed by the participating countries (France, Belgium, Luxembourg, Netherlands, Italy and Western Germany). The establishment of a common market for steel followed on May first.

Budget Unbalanced

Perhaps the most persistently difficult problem—and one which has defied all efforts at solution—is the unbalanced French budget. It now stands with an uncovered deficit of about 804 billion francs (out of a total expenditure of 3,883 billion, *excluding* the 80 billion of blocked credits but *including* aid from the U.S. of 173 billion). Although this is not much greater than last year's deficit, the economy can hardly stand inflationary measures on this scale again, if such a deficit were to be covered by government borrowing.

The Government has declared its intention to adopt measures to re-establish budgetary equilibrium in the long term but it faces a formidable task. It is pledged not to increase taxes and revenue cannot be expected to increase unless production and exports are considerably expanded. The war in Indo-China is an increasing drain on French resources and there is no end in sight. The problem is under study and the Government has submitted plans for economies and additional revenues, designed to reduce the deficit to some 700 billion francs, to the Ministerial Council.

French Trade Problems

Throughout 1952 French foreign trade continued to show monthly deficits between total imports and exports to foreign countries. Although these deficits were partially offset by credit balances with French overseas territories, the adverse balance of payments between France and most monetary zones was such that it was almost equally difficult to find funds to pay for imports from the dollar zone, the sterling area or the EPU area.

The monthly average of imports from the dollar zone during 1952 was 21·8 billion francs ($62·3 million) compared with 21·4 billion in 1951. However, exports only averaged 6·4 billion francs ($18·3 million) compared with 9·1 billion francs in 1951. Similarly, trade with the sterling area was unsatisfactory. Imports were 31 billion francs ($88·5 million) monthly average (34·2 in 1951); exports were only 12·7 billion francs ($36·3 million), compared with 17·8 billion in 1951. Although the trade with countries other than those included in the three zones was almost in balance, France ran deficit balances with EPU in every month of 1952 except April, May and June. By the end of the year France had exhausted its credit with the Union and had to meet all deficits in gold or dollars.

The turn of the year has witnessed no improvement and deficits ran at the monthly rate of 10·9, 31·3, 19·4 and 51·6 million units of account (dollars) from January to April. In April came new import restrictions that were calculated to reduce imports from the EPU area at the rate of $14 million a month over the next six months. However, the effects of these restrictions or of the recent liberalization moves by the United Kingdom have not yet been felt. (See *Foreign Trade* of May 2, 1953.)

—French Information Service

The harvest of grapes is in full swing, as French workers bring them in from the vineyard. Last year Canadian imports from France included nearly $2·3 million worth of wines, sparkling wines and liqueurs.

France's total trade, including trade with French overseas territories, is still very considerably above 1950, but in that year imports and exports were in balance. In 1952 total imports were valued at 1.592 billion francs as compared with exports valued at 1,416 billion francs, or a deficit of 176 billion francs ($503 million). This broke down into an adverse balance of 417 billion with foreign countries and a favourable balance with the French overseas territories of 241 billion. In 1951 total exports were valued at 1,478 billion francs and total imports at 1,607 billion.

The decline in exports during 1952 was particularly alarming because, throughout the year, the terms of trade steadily improved in France's favour. However, the British import restrictions hit France hard and the recent moves to free certain British imports and tourist funds should bring some relief to the French balance of payments.

Decline in Exports

After a disappointing start in January, exports to foreign countries are beginning to improve. The monthly average for the first quarter was 72 billion francs, compared with 73 billion for the last quarter of 1952 and 68 billion for the first quarter. The April figures show a further slight rise to 79·7 billion. Against this, exports to the overseas territories have been below last year's averages, with the result that total exports have not yet reached the 1952 level. This slight improvement in exports to foreign countries is matched by a considerable drop in imports during the first quarter compared with the same period last year. Total monthly imports averaged 130 billion against 159 billion for the first quarter of 1952 and the drop occurred in imports from foreign countries.

The index of industrial production stood at 145 at the end of 1952. Since then it has held more or less steady at that level with a tendency to weaken (143 at March 1953). (See *Foreign Trade* of April 4, 1953.)

The relative peace in the labour market also ended in April, when a strike closed down the important Renault factory in Paris and strikes of officers and seamen forced the laying-up of the principal units of the French merchant fleet.

Canadian Trade

Canadian trade with France is severely handicapped on the one hand by the lack of dollars and on the other by the formidable difficulties facing French exports to Canada. In addition to the traditional luxury goods, French industry has much to offer to the Canadian market in the machinery and heavy industry trades. However, the difficulties of financing exports and servicing them after installation are considerable.

By value, Canadian trade with France is heavily in Canada's favour. However, most exports from Canada to France are raw materials essential to French industry or consumption. On the other hand, Canadian imports from France are spread over a wide field of manufactured articles, none of which reach any particularly large figure. In 1952 Canadian exports to France were valued at 27 billion francs (18 billion in 1951), or almost $77 million. This compares with exports to Canada of 6·7 billion francs (7·7 billion in 1951), or about $19 million. The heavy increase in imports in 1952 stemmed almost entirely from large wheat shipments and the delivery of two merchant ships; neither of these is likely to recur this year. The main Canadian products going to France are asbestos fibres, synthetic rubber, paper pulp, raw copper and pulpwood.

A Look Ahead

Although strenuous efforts will be made to reduce the budget deficit and to encourage exports, one cannot look for a short-term solution to the difficulties plaguing the French economy. The war in Indo-China and the defence burden accepted by France under NATO impose a heavy drain on an economy that, in spite of generous U.S. aid, is still struggling to recover from the destruction of the war. One cannot hope, therefore, for any immediate progress towards a freer import policy. Much will depend on the ability of French exports to reassert themselves. There are some encouraging signs and the freer British market will help. The balance of payments position, although precarious, should improve as the various measures to encourage exports and reduce imports begin to take effect.

The agricultural picture on the whole is more reassuring than last year; there should be no need to import substantial quantities of grain from the dollar areas if an average crop is harvested this year. The reduction in the extent of foot and mouth disease should mean that smaller imports of meat and dairy products will be needed and the heavy losses to the economy will be lessened. In two years, it is estimated, foot and mouth disease has cost France about 100 billion francs ($286 million).

—R. G. C. Smith
Commercial Counsellor for Canada

Germany

- *External trade has quadrupled in four years.*
- *American economic aid will end on June 30.*
- *Repayment of German external debts has begun.*

BONN—It is difficult at this time to judge the business outlook in West Germany for the remainder of the year with real assurance.

The country's economic recovery between June 20, 1948—the date of the currency reform—and the end of 1952 has been so spectacular that one could easily be over-optimistic and under-estimate the immense problems which Germany still faces and the extent to which its economy depends upon those of other countries and upon both internal and external political events.

A Year of Adjustment

On the other hand, many important internal business indicators turned slightly downward during the first quarter of 1953 as compared with the last quarter of 1952, when most of them reached their postwar peaks. This led to some reservations about the outlook in certain business circles and even to concern in a few, including the important iron and steel, engineering and machinery industries.

Undue concern would, however, overlook the fact that, while many indexes have declined from their late 1952 peaks, almost all of them are still well above the first three months of 1952.

On the whole, therefore, 1953 seems to be a year of consolidation and adjustment. The rate of business activity will probably level off and may even decline in a few sectors (where exceptional internal pent-up demand has slackened or where temporary advantages such as ability to offer early delivery dates have ended) but there will be no serious recession and no overall slackening of activity.

External economic relationships will, of course, have great influence because West Germany depends heavily on foreign trade. That is even more true of the present Federal Republic than it was of prewar Germany because the Republic has been deprived of the Soviet-occupied East Zone and the "separated areas", and has to support an influx of roughly 10 million expelled persons and refugees. The latter are increasing by hundreds and often thousands a day.

The following figures reflect the great increase in the Republic's external trade since 1948.

1. Total Foreign Trade

(in million U.S.$)

	1948	1949	1950	1951	1952
Imports	1,314	2,236	2,703	3,503	3,852
Exports	592	1,123	1,980	3,473	4,035
Balance of Trade	– 722	–1,113	– 723	– 030	+ 183

Canada's trade with Germany has greatly increased in the last three years, as the table below demonstrates:

(millions of Can.$)

	1950	1951	1952
Exports to Germany	9	37	95
Imports from Germany	11	30	25
Balance in Canada's favour	– 2	+ 7	+70

(Source, D.B.S.)

Germany became (according to these Canadian figures) Canada's fifth largest export market in 1952, exceeded only by the United States, the United Kingdom, Belgium and Japan, in that order.

Relations with EPU

Germany's creditor position in EPU since the creation of the Union in July 1950 up to March 31, 1953, has been as follows:

(in millions of dollars)

	July 1950 to Dec. 1951	Jan./Dec. 1952	March 31st 1953
Cumulative Accounting Position	+$43	+$378	+$441

At one time in 1951 Germany had a heavy deficit. Since then the rapid increase in her domestic production and in her exports to her EPU partners reversed her position. This led her—as of April last—to liberalize her imports from other OEEC countries to the extent of 90 per cent and made her a strong advocate of convertibility as between the EPU currencies and the dollar.

The German Federal Republic also has a favourable balance of payments with almost every other important trading country outside EPU except the North American dollar area, Colombia and Uruguay.

The Bank Deutscher Laender reports the following cumulative credits in its favour among the 17 "other offset account countries" on March 31, 1953 (in rounded millions of U.S. dollars): Argentina 4·4; Brazil 95·1; Bulgaria 1·9; Chile 1·3; Czechoslovakia 5·5; Ecuador 1·3; Egypt 11·4; Finland 31·0; Hungary 4·2; Iran 6·2; Japan 4·5; Paraguay 1·9; Poland 7·7; Spain 12·2; Yugoslavia 17.

The net creditor position with all 17 of these countries totalled, on March 31, 1953, $197 million. Added to the EPU surplus of $441 million on the same day, it shows that Germany is financing purchases by these two groups of countries to a total of $638 million. To one who saw Germany in early 1946, or indeed at any time before 1948, this seems a miracle.

These facts have a very direct influence on Canada's exports to Germany. The heavy debtor position of Sweden and Finland has, for example, affected seriously sales of Canadian pulp because Germany is forced to encourage imports of such products from these two countries.

Trading Problems

In certain cases Germany has reached the limit of her credit ability. In others—Brazil and Spain, for example—she has seriously exceeded it. This has meant great hardship for many German manufacturers and exporters. They have suffered appreciable losses through deferred or non-payments or discounted payments. There is a German export credits insurance agency but its coverage is said to be less comprehensive than that of other leading trading countries.

This has led the Federation of German Industries to propose that the Government direct German purchases to an increased degree to areas where it has an opportunity of selling, and away from countries such as the United States, Canada and Cuba. Apparently those advocating such a policy do so reluctantly. They realize that the inflated prices, and at times lower qualities or grades, in alternative supplying areas would adversely affect Germany's terms of trade and ultimately her own export competitiveness.

Trade with Soviet Bloc

This brings up the problem of the dollar gap. But before reviewing that difficult question it may be well to note briefly trade with the Soviet bloc, because the present position creates some restiveness over the restraints on trade with the East.

The importance and trend of Federal Germany's trade with the Eastern bloc may be seen at a glance from the following figures, covering exports to and imports from the Soviet bloc (including China but excluding the Soviet-occupied zone of Potsdam Germany). The figures are monthly averages in millions of dollars.

(Source: Commercial Attaché's Division of U.S. Hicog, Bonn)

	1949	1950	1951	1952	1953 Jan.	1953 Feb.
Exports to	3·5	7·2	5·7	4·4	5·7	6·0
Imports from	7·8	7·0	8·5	6·1	7·0	6·1

Despite the events from 1939 to date, and despite the restrictions imposed now on both sides, it is on the whole surprising that these overall figures are so small when one recalls that Germany was for decades before 1939 the dominant trading partner of most of the countries of the bloc, with the exception of China.

Trade with United States

The following figures show quickly the amount and trend of the German Republic's trade with the United States.

Monthly Averages

(in millions of dollars)

	1949	1950	1951	1952	1953 Jan.	1953 Feb.
Imports	68·6	35·9	53·9	49·7	41·4	35·6
Exports	3·9	8·6	19·7	20·8	21·3	20·8
Gap	64·7	27·3	34·2	28·9	20·1	14·8

There has been a fluctuating but steady trend, down for imports, up for exports, and down for the adverse balance.

Up to now the overall dollar deficit, not only with the United States itself but with other countries such as Canada, has been covered by American economic aid in the form of grants under GARIOA, ECA or MSA. These will definitely end on June 30, 1953, although relatively small amounts authorized before that date may remain in the hands of U.S. HICOG to be allocated subsequently.

As of May 1, 1953, the grand total of all this aid was $3,480,600,000. Of this huge sum only $16,900,000 was in the form of a loan, and only $218,600,000 in the form of "conditional aid" i.e., subject to Germany's making an equivalent amount in Deutsche Marks available to other OEEC members. The remaining sum of over $3·2 billion constituted a gift from the American people.

It is expected that their place will be taken by:

- Dollar expenditures by and on behalf of American troops and civilians in Germany, which were about $250 million last year even though Germany is still paying the occupation costs.
- Increased exports to North America.
- Invisible earnings from shipping and the tourist trade.
- Offshore purchases—though as yet there is no estimate of how great these will be.
- The ending of certain unnatural imports, such as American coal.

Obligations Assumed

Against these measures must be set the heavy obligations which Germany has assumed under the Agreement on German External Debts signed in London on January 27, 1953, and her agreement to make restitution to Israel. These together total DM 16,486,980,000 as principal (of which DM 3,450,000,000 is due to Israel) and DM 1,429,172,000 as interest.

The annual rates of payments are shown in the tables below in which period A covers the years 1953 to 1957 and period B covers the years 1958 to liquidation.

(Million DM Rounded)

Annual Payments to:	Period A	Period B
Dollar area	DM 236	DM 379
EPU	DM 309	DM 359
Other countries	DM 222	DM 287
Total	DM 767	DM 1,025

The actual payment of these annual amounts is complicated but it should be noted that where they do not involve a transfer problem they will involve heavy domestic budget appropriations and unrequited exports which will undoubtedly incorporate at least some earlier dollar expenditures for materials.

The Outlook

The general feeling that 1952 marked in a real sense the end of the immediate post-World War II period in Europe seems to apply particularly to West Germany. The signing of the "Contractual Agreements" in Bonn on May 26, 1952, and the European Defence Community agreement in Paris shortly thereafter, symbolized the de facto end of the occupation period, although neither is as yet legally in effect. By the end of the year, the Federal Republic had set up its own diplomatic establishments in all important countries and had entered into practically independent trade relations with all of them. American economic aid is about to end. Repayment of external debts has begun. Although West Germany still must solve many difficult problems, it seems that she can face this transition year with considerable confidence, and that she has definitely resumed her place as one of the top industrial and trading nations and as one of Canada's principal trading partners.

—Bruce Macdonald
Commercial Counsellor for Canada.

Greece

- *Last year witnessed economic change for the better.*
- *Foreign trade prospects most promising since war.*
- *New import policy has removed majority of controls.*

ATHENS—Postwar economic reconstruction has proved more difficult in Greece than in any other European country. Not only did this country suffer great material losses and some destruction during World War II, but the civil war against the Communists from 1945 to 1948 wrought further destruction and hardship. The Greek Government has attacked inflation and serious international balance of payments problems and more than $2,000 million of economic aid has been supplied from abroad, largely by the United States. Despite this, the standard of living in Greece is still below prewar. Late 1952, however, witnessed the turning point. Inflation was checked, the budget almost balanced, and the Government undertook a series of sweeping new measures designed to enable the nation to free itself of dependence on foreign aid and yet lay the basis for more normal economic development.

Conditions Reviewed

For the first time since the end of the war, the rise in the cost of living has been checked. Inflation in Greece has been controlled by improving agricultural and industrial output and by a strong deflationary bank credit and monetary policy. The Government has attempted to pursue a selective credit policy, giving loans and low rates of interest to developments in the general national interest. Rates of interest on less essential undertakings, on the other hand, have become very high and this has acted as a deterrent to many commercial enterprises. Strenuous efforts to balance the national budget have proved largely successful, particularly since the change of government following the elections last November 16th.

Total imports for the calendar year 1952 amounted to $346·2 million, a decrease of $52 million over 1951. Exports during the same period increased by 17·9 per cent to $120 million. Rigid import controls and the high cost of working capital were the principal factors in bringing about this moderate improvement in the country's international trading accounts. The trading deficit of $226·4 million was covered principally by MSA aid and by earnings from shipping, private capital investment and emigrants' remittances.

Despite the lower rate of total imports, Canadian exports to Greece rose to $4·4 million, as compared with $2·7 million for the previous year. Some $2,383,000 worth of exports of No. 5 wheat, which will not recur in 1953, accounted for most of this rise. Imports from Greece for the same period amounted to only $197 thousand (about the same as in 1951) and consisted of tobacco, olives, dried fruit, sponges and wine. Throughout the year Greek export prices were generally out of line with international prices for similar goods, because an official rate of exchange was maintained artificially high. This situation was corrected on April 9, 1953, by a devaluation changing the rate from 15,000 to 30,000 drachmae to the U.S. dollar and in proportion against all foreign currencies.

Trade Policies Revised

As already reported in *Foreign Trade* of May 2nd, the Greek Government has undertaken a new series of trade measures designed to replace the former rigid controls and to restore freedom and private initiative to most of Greece's import and export trade. Shortly after the drachma was drastically devalued, the Minister of Co-ordination announced a new import policy which removed almost all controls. Importers here can now automatically secure import licences for most commodities from European countries by merely opening a letter of credit with their commercial bank. Imports from the United States or Canada, but not other dollar countries, require an import licence but these are being approved freely by the Bank of Greece and the Ministry of Commerce. However, for specific items covered by the American aid program, the application must await the proper MSA procurement authorization. There is also a very small list of prohibited items and a half dozen staple items, including wheat and flour, which can only be bought from MSA or from EPU countries. Canadian exporters may obtain these lists from the Department of Trade and Commerce, Ottawa.

New Exchange Rate

The new rate of exchange for the drachma has already brought the price of Greek exports into line with international prices. Tobacco, which has long been uncompetitive with comparable Turkish types, is the principal export crop. Canada has only a limited demand for this type of tobacco, but importers can in future look more to Greece as a source of supply. More important, however, is the effect of the new rate of exchange on exports of tobacco to Greece's traditional European markets, principally Germany, Austria and Spain. Other goods of interest, such as dried fruits, olives, textiles and wines, should move into dollar markets in increasing quantities. The further cuts expected in MSA assistance to Greece will mean that the total level of imports here will in future depend more and more on the expansion of exports.

Current Economic Situation

The principal problem now facing the Greek Government is the possibility of renewed inflation. It is conceded that a 100 per cent devaluation will inevitably result in higher domestic prices and strong efforts are being made to cushion immediate price increases. MSA authorities have approved an allocation of $35 million of staples as a buffer stock to be sold by the Government as prices edge up. Merchants' pricing on goods which they have imported at the old rate of exchange is being strictly controlled. Despite this, prices of such things as gasoline, fuel oil, olive oil, electric power, flour, bread and coal have already increased sharply and further increases are expected. Practically every manufactured product in Greece has a large import content and unofficial estimates of the total increase in the comprehensive domestic drachma price level are now 30 to 35 per cent.

The immediate business outlook is promising. The new monetary and trade regulations have quickened business activity, particularly in the export industries. The agricultural prospects are better than in any postwar year, with late rains this spring likely to produce record crops, especially of cereals. Tourist trade should improve because of the devaluation and foreign investors are showing interest in the new regulations for the protection of foreign capital. The Minister of Economic Co-ordination is, at the time of writing, visiting the United States and Canada and preliminary reports on his conversations indicate that he is meeting with some success in having MSA economic assistance continued for at least the next fiscal year. One question still unsettled is whether he will be able to interest international lending institutions in a Greek reconstruction program aimed at developing the economic potential. Apart from this, Krupp steel interests have just completed an agreement for the mining and smelting of local iron ores containing chrome for shipments to Germany in pigs, at a probable annual rate exceeding ten million dollars from 1955 on.

A New Market Opens

Importers have been moving cautiously despite their new freedom. However, many years of strict import controls have meant shortages, particularly in the luxury and semi-luxury lines, and it is likely that the rate of imports will speed up as quotations from abroad are received and new trading connections are built up. Imports suddenly costing double in terms of local currency, combined with the continued shortage of working capital and bank credits, are the real reason for the present caution in the import trade. The Government has so far not authorized import on a credit or cash against documents basis, except for a very short list of industrial materials from EPU sources only. Agents of Canadian firms here are placing orders, in some cases for the first time in many years, and advertisements offering Canadian products are appearing in local newspapers. Importers are showing keen interest in whisky, powdered milk, electrical appliances, canned salmon, canned meats, kerosene and gasoline stoves and heaters, tool steel, etc. Under these altered circumstances, Canadian exporters and importers would be well advised to consider Greece as a potentially new market or as a new source of supply.

—H. W. Richardson
Commercial Secretary for Canada

Current output of steel in Western Europe was one-fourth greater in 1951 than in 1929, the Statistical Office of the United Nations reports. Altogether, twelve Western European countries turned out a total of 43·3 million metric tons of finished steel, excluding billets, blooms and slabs for sale. As in North America, the West European industry has to depend upon outside areas for several million tons of metal a year in the form of ores and scrap. However, Western Europe's imports of raw materials are normally more than offset by exports of intermediate and finished products.

Ireland

- *Low agricultural production remains a problem.*
- *Industrial output is falling; unemployment rising.*
- *External balance of payments improved during 1952.*

DUBLIN—The economy of the Republic of Ireland is fundamentally an agricultural one, although in recent years there has been a vigorous campaign to stimulate industrial development. Unfortunately the volume of agricultural production has changed little over many years. Only recently have there been signs of a growing awareness in the farming community of the necessity for more modern methods if agriculture is to make a major contribution to the increased national income so badly needed. The Government is also making special efforts to promote increased cultivation.

Certain trends in Irish economic life have continued during the past year. The migration movement, primarily from the "depressed areas" in the west, does not appear to be lessening. The Government is carrying out a planned movement of farm families from the overcrowded areas in the west to the eastern counties, where large estates are being broken up into small units. It is also attempting to solve the economic problem of the "depressed areas" by encouraging small local industries and setting up larger industrial plants. It is too soon to judge the effectiveness of these correlated programs, but the pull of the larger urban areas in the south and east is strong.

Problems Vigorously Attacked

The development of the electric power industry under the Electricity Supply Board continues. New hydro-electric plants are getting under way in Co. Cork, and there are several new power plants using the abundant supplies of "turf" or peat as fuel. Dieselization of the railways is in full swing and certain uneconomic lines have been abandoned. Just recently, concurrent legislation was passed in the Republic and Northern Ireland providing for the joint purchase and operation of the Great Northern Railway. Road transport is a problem yet to be solved.

Housing Problem Difficult

The housing situation remains difficult. Numbers of large houses and estates are in the market but find few buyers and then only at low prices. Many of the old estates in County Dublin are being broken up and replaced by rows of semi-detached houses and terraces. However, building costs are high and these housing developments are out of reach of the lower, middle and working classes. In Dublin itself there is a shortage of apartment blocks although some construction is now under way. Some of the large houses in the older residential districts are being

This fishing scene on the Killarney Lakes, Co. Kerry, typifies the green beauty of rural Ireland, which attracts so many tourists. However, depopulation of the rural areas is a serious and continuing problem.

converted. But here again, construction costs and rising municipal taxes combine to make the rentals high and construction activities generally appear to be slackening.

The year 1952 saw a continued decline in industrial production and thus a steady rise in the unemployment figures. At the same time, income has failed to keep pace with the rising cost of living. There are urgent demands for higher wages which employers are finding difficulty in meeting. Retailers report a slackening in the sale of consumer goods but so far no sharp down-turn is noticeable.

Economic Trends

The series of economic indices issued in April show a mixed trend. The monthly output of the Electricity Supply Board's generating stations has risen from 73·71 million kwh in June 1952 to 112·38 in March 1953. The number of fat cattle for sale at the Dublin market was slightly lower in January and February than in the same months of 1952, but the number of pigs bought increased by some 28 per cent. Beer, potable spirits and tobacco retained for home consumption declined considerably, although this is probably the effect of increased duties announced in the 1952-53 budget. The interim cost-of-living index remained at 123 for the first quarter of 1953, only one point above the third quarter of 1952, when the withdrawal of the food subsidies first had its effect. On the other hand, most of the indices of agricultural prices and the wholesale prices index are higher than last year, although the differences are relatively small.

The external balance of payments showed a marked improvement during the twelve months ended December 1952, with the debit balance dropping from £61·6 million to £9 million. This was accomplished by a sharp reduction in imports—from £204·6 million in 1951 to £172·2 million in 1952. At the same time, exports rose from £81·5 million in 1951 to £101·5 million in 1952. The increase in exports has continued into 1953 although imports again are rising. The Budget for 1953-54 was presented on May 6 and showed an approximate balance at £101 million, the highest level yet attained. There were no changes in the taxation level but increases in postal and telegraph rates were announced in April.

External Trade

Some 63 per cent of the external trade of the Republic is with Great Britain and Northern Ireland. During 1952 exports and imports with these two countries were in almost exact balance, comprising approximately 50 per cent of total imports and 86 per cent of total exports. The United States and Canada and other dollar countries were the next most important sources of supply (18 per cent) followed closely by non-sterling members of EPU. Imports from the other sterling members of the Commonwealth amounted to about 7 per cent of the total. Six per cent of exports went to non-sterling EPU countries and 3 per cent to dollar countries.

Stringent import controls during 1952 appear to have affected principally countries of the sterling Commonwealth, Europe and the United States. Imports from Canada increased moderately, as did those from Germany and the Netherlands. Almost the entire increase in exports was due to higher purchases by Great Britain and Northern Ireland.

Trade with Canada

Trade with Canada is governed by a policy which restricts to essentials the imports from dollar countries. In consequence, purchases from Canada are limited almost entirely to wheat, lumber, newsprint, paper board, aluminum bars, rods, etc., copper bars and rods, machinery and electrical goods, and chemical wood pulp. In 1952 imports from Canada totalled £10·7 million, as compared with £8·8 million in 1951. Exports to Canada declined in 1952 from the previous year but the trade has not become sufficiently well established to warrant any analysis by commodities. However, a special trade office has been opened in Montreal and a drive to develop the Canadian market for Irish goods is being inaugurated.

—T. G. Major
Commercial Counsellor for Canada

New development in Ireland is a modern grass drying plant recently opened in County Galway. Two years ago an Irish company acquired 2,000 acres of virgin bog. Now the bog is producing a good crop of high-grade grass; eventually sugar beets will be grown on the reclaimed land.

Italy

- *Business conditions improved moderately in 1952.*
- *Fall in textile exports increased trade deficit.*
- *Exporters seeking to expand their sales to Canada.*

ROME—The Italian economy as a whole showed a moderate improvement in 1952. Industrial activity, which had levelled off in late 1951 and remained unchanged well into 1952, quickened early in the third and fourth quarters. Agricultural harvests as a whole were better than in 1951, despite lower yields in certain categories. The balance of payments situation was aggravated by a trade deficit of $727 million, compared with $437 million in 1951—a deficit due in large measure to a decrease of almost 60 per cent in textile exports. The overall balance of payments position deteriorated, with a 1951 deficit of $124 million becoming $311 million in 1952. One brighter spot was the dollar situation arising out of trade with the dollar area and MSA funds. Although it is still critical, it has improved slightly.

The past few months have witnessed no substantial improvement in the over-population problem. Italy's chronic inability to support her population adequately remains a prime cause of economic insecurity, with its inevitable political effects.

Industrial and Agricultural Production

Italy's gross national income expanded encouragingly during the last months of 1952 and is now 10,105 billion lire, an increase of 5 per cent over 1951. Industry contributes some 3,652 billion lire of this, agriculture 2,559 billion, and services and other business activities the remainder. Because of her lack of essential raw materials, Italy must import enormous quantities to carry on extensive industrial activity and these imports are likely to increase, barring an international trade depression. Among the five principal manufacturing industries, the most encouraging development was in the mechanical industry which stepped up output by 10 per cent. It is also significant that the textile industry, in which production has been falling steadily since the beginning of 1951, increased output by 15 per cent. Metallurgy continued its previous high rate, food processing its gradual growth, and only chemicals production remained below that of a year ago.

Excluding manufacturing, construction continued to be a major and buoyant industry. The number of rooms completed was about 20 per cent greater than a year ago, and although authorizations to begin housing construction did not increase as much, they were almost 10 per cent above 1951. Public works construction achieved an even better record, with the number of man-days used running 30 per cent over 1951.

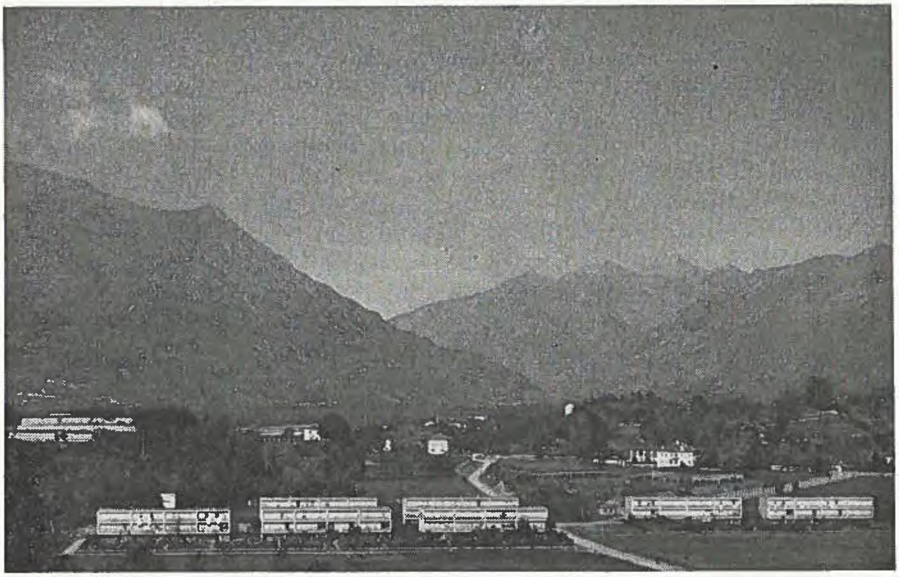
The wheat crop, Italy's most important, totalled eight million metric tons in 1952, the largest of any postwar year. In fact, it nearly equalled the all-time record of 1938, though the acreage was somewhat below that of immediate prewar years. Among the tree crops, the production of apples and pears, which has been steadily increasing thanks to large postwar plantings, reached record heights. The olive oil crop, following a record year in 1951, was sharply lower; if this trend continues, prices of olive oil are expected to increase. Livestock prices began to drop as the drought and higher feed prices forced producers to reduce herds. The drop in prices was sufficiently severe in the face of feed costs to bring numerous complaints from the farmers and to send farm leaders to the Ministries of Foreign Trade and Agriculture with demands for greater protection against imports. This situation, coupled with an abundance of fresh pork, largely explains the unsuccessful attempts of Canadian exporters of canned pork to market part of their surplus production in Italy.

The number of farm tractors registered has increased by 7·4 per cent and now represents about 1·25 per cent of the world total. This last ratio is almost the same as that of the agricultural population and it is expected that the local demand for tractors and other farm machinery, such as rice and wheat combines, will grow in 1953.

MSA Assistance

The United States Government has made several purchases in Italy and it is expected that it will make even more in 1953. This might mean an increase in the import of special types of machinery required by Italian firms who have to cut their production costs to submit competitive bids for these purchases.

ECA and MSA assistance totalled US$217,900,000 in 1952 as compared with US$279,600,000 in 1951. Italy's efforts are directed towards increasing the role of "goods and services" and gradually eliminating the need for external aid.



Italy hopes to find an increased market for her products in Canada, to ease her dollar shortage. Office machinery made at this Olivetti factory at Ivrea, northern Italy, is already familiar in this country.

Italian imports increased by 6·7 per cent in 1952 as compared with 1951, and exports decreased during the same period by 16·1 per cent. The general impression is that the maximum gap between imports and exports has been attained and that, in the future, the huge trade deficits should be scaled down. Imports consist mainly of raw materials for industry and foodstuffs, and exports consist mainly of agricultural products, finished industrial products, and handicrafts, including fresh and dried fruits, fresh vegetables, wines, sulphur, textile fabrics, leather goods, furniture, motor vehicles, machine tools, marble, musical instruments, and haberdashery. Among imports, wheat comes first, in quantities that fluctuate with the size of the home crop. Other commodities imported on a large scale are oil seeds, fats, raw cotton, wool, rubber, coal, mineral oils, metals, scrap, cellulose, chemical products, lumber, and machinery.

The extraordinary increase in the Italian trade deficit (US$727,-300,000 for 1952 as compared with US$437,300,000 in 1951) was not, however, reflected in Italy's balance of payments. The deficit position in 1952 was softened by increased receipts of invisibles, principally income from tourists and remittances from abroad.

Changes in Trade Pattern

Certain food products, machinery and raw materials, particularly for the textile and steel industries, largely account for the increase in imports. Among those goods imports of which have decreased are wheat flour and coal. A more marked decrease in flour imports during 1953 is expected as a consequence of the good wheat harvest. Coal imports will fall off because of electric energy development and the ever-growing industrial use of natural gases.

Textile exports decreased most sharply in 1952, because of import restrictions adopted by Italy's two most important markets, the sterling and French franc areas. Exports of fresh and dried fruits, prepared foodstuffs, motor vehicles and sulphur also fell off.

Trade with Canada

The value of Italian imports from Canada reached $52 million Canadian in 1952 as compared with $48 million in 1951 and $15 million in 1950. Wheat constituted 53·6 per cent of the total and it is expected that these purchases will be slightly higher in 1953.

Italian imports of wheat flour reached $4,900,000, but those imports will be much lower this year, because Italy will be able to import more hard wheat for her mills and also because of a better local wheat crop. Purchases of Canadian codfish amounted to approximately $2 million, although the dollar allocation set aside by the Italian Government was $3 million. It is expected that the Canadian fisheries will sell Italy $3 million worth of codfish in 1953, provided it can supply the quantity and quality required. Canned salmon imports amounted to $470 thousand and Italy will absorb approximately the same amount in 1953.

Canada has an expanding market in Italy for basic metals such as nickel, steel, copper, aluminum and asbestos, but it is limited by the exchange situation here and in some cases by the supply position in Canada. Other important imports from Canada in 1952 were dissolving sulphite pulp and other types of pulp, drugs, pharmaceuticals, and chemicals.

A continued expansion in Canada's export trade with Italy depends more than ever upon an increased market for Italian products in Canada. Italian exports to Canada stood at $11,700,000 in 1952 as compared with $14,200,000 in 1951 and $9,300,000 in 1950. Main exports were textile fabrics, fresh and dried fruits, wines, handicrafts, machinery and machine tools. There appears to be a particularly promising market for Italian machine tools in Canada and increased sales will depend largely on the success of local manufacturers in supplying the right type of machine at a competitive price.

—A. A. Caron
Assistant Commercial Secretary for Canada

The Netherlands

- *Balance of payments shows first postwar surplus.*
- *"Export Bonus" dollars at about 10 per cent premium.*
- *Exports from Canada up some $15 million in 1952.*

THE HAGUE—The Netherlands has prospered during the past twelve months, its economic position has continued to improve, and on January 27, 1953, direct financial aid under the Marshall Plan ended. The damage from the floods which swept the country on January 31 and February 1, estimated at 860 million guilders, was serious, but there has been a remarkable recovery from the disaster. The unemployment problem which was beginning to plague the Government has been practically solved as a result of the catastrophe, and spontaneous aid from Canada and many other nations has done much to ease the financial problem which the floods raised.

Balance of Payments

One of the most significant features of 1952 in the Netherlands was the large surplus of 1·8 billion guilders in the balance of payments, the first surplus since the war. In other postwar years, the deficit has varied between one and two billion guilders. The favourable balance of payments resulted in an increase of gold and currency reserves, which by May 1953 reached a postwar high of over four billion guilders. Since August 1951 the Netherlands has shown substantial monthly surpluses with the European Payments Union and by the end of March 1953 had exceeded its EPU quota of $355 million by $3 million. Liberalization of imports into the Netherlands from OEEC countries has been increased from 82 to 92 per cent.

The president of the Netherlands Bank stated late in April that the economy had emerged stronger from a period of adaptation and rehabilitation in 1952 and may be ready, in co-operation with other European countries and the United States, to prepare measures to regain a certain general convertibility of currency.

"Export Bonus" Dollars

Although the Netherlands dollar position has improved during the past year, it would be premature to assume that this market will shortly be open to all types of dollar goods. However, some Netherlands importers of Canadian products expect that they will have a larger turnover this year as a result of the extremely low rate for the "Export Bonus" dollar. Under this arrangement, Netherlands exporters to the dollar area are allowed to retain 10 per cent of the invoice value of their shipments which may be used to import dollar goods. In practice, there is a virtually free market for the Export Bonus dollar. When the scheme was inaugurated, the premium paid for these dollars against the guilder was as high as 100 per cent. In recent months the price of E.B. dollars has been as low as 4·15 guilders, compared with 3·80 guilders for the official dollar. The present premium for the E.B. dollar is, therefore, about 10 per cent.

Because of the Netherlands' relatively low tariff structure, commodities which are competitive in price and quality may find some place on this market. However, supplies of "Export Bonus" dollars are limited and this incentive to export may disappear.

In spite of the encouraging short-term economic outlook for the Netherlands, the long-term picture is still clouded. There are, in fact, basic weaknesses in the country's economic structure. Holland's ever growing population is confined to a small area with few natural resources. As a consequence, the Netherlands is very sensitive to external economic influences which could wipe out in a short time the advances made. At the moment, the country seems likely to maintain its present gains, although the rate of improvement will probably slow down.

Foreign Exchange Position Improved

In the course of a single year the Netherlands has increased her gold and foreign currency holdings by almost two billion guilders. The present favourable payments balance stems from several factors, the most important of which have been a substantial reduction of imports and a gradual increase in exports. Holland's trade deficit in 1952 was only 504 million guilders, compared with 2·2 billion in 1951 and 2·4 billion in 1950. Contrary to expectations, improvement in the terms of trade has been slight. Import prices in 1952 remained relatively stable following an upsurge in 1950 and the early part of 1951. At the same time, the increase of export prices in 1952 compared with the previous year was only two points. Large surpluses on trade with countries of the European Payments Union have perhaps played the most important role in strengthening the Netherlands financial position. In addition, Holland has benefited from favourable trade balances with nations outside the EPU, particularly Indonesia and some South American countries.

Greater freedom in international currency transfers has been one result of the better balance of payments in 1952. A so-called free foreign exchange market for spot and forward dealings in the currencies of the United Kingdom, the United States, France, Belgium, Switzerland, Sweden and Brazil has been established. One of the more important relaxations of exchange controls is the freeing from quantitative restrictions of 92 per cent of the nation's imports from OEEC countries. The Netherlands has thus now well exceeded the liberalization ratio of 75 per cent agreed upon by members of OEEC. Tourist and emigrant allowances, particularly to soft-currency countries, have been substantially increased. Transactions in international securities have been made easier. Transfer of capital by both residents and non-residents has been eased. Although import licences are still required for all commodities, permits for soft-currency imports have now almost become a matter of form.

In 1952, total exports from Canada to the Netherlands amounted to \$41 million, compared with \$26 million in 1951 and about \$10 million a year, on the average, before the war. Traditionally the Netherlands buys from us wheat and other grains, non-ferrous metals, rubber products, and lumber. Normally, these comprise about three-quarters of our sales to Holland. The rise of some \$15 million in the 1952 exports stemmed chiefly from increased shipments of grain. Aluminum, brass, asbestos and herring oil also figured largely.

Canadian imports from the Netherlands customarily include unset diamonds, horticultural products, and a fairly large number of manufactured goods in the textile, machinery, electrical and chemical fields. Holland supplies a good part of the Canadian imports of florist and nursery stock. Total imports from the Netherlands in 1952 reached \$16½ million, compared with \$14 million in 1951. Considerable shipments of tin, and settlers' effects worth \$3½ million, helped to swell the total.

Dollar Difficulties Persist

Netherlands importers continue to find it difficult to introduce non-essential goods from Canada into this market because of Holland's lack of dollars. Although the dollar deficit dropped from 653 million guilders in 1951 to 171 million in 1952, no far-reaching relaxation of dollar import restrictions seems likely at present. Canadian grain, favoured by the Netherlands for its milling qualities and which moved freely into this country in 1952, will probably continue to enjoy preference here. However, until the Netherlands can strike a better balance of trade with the dollar area, non-essential products will certainly continue to meet serious difficulties when trade against other than "bonus" dollars is attempted.

—W. G. Pybus
Assistant Commercial Secretary for Canada

The floods in Holland early in February stimulated a Dutch engineer to develop an automatic high water recorder, combined with an alarm system. The recorders would be placed at strategic points along the coast and connected to installations in the villages. These coloured lamps—green for normal water height, yellow for high water, and red for danger—would flash on. When the light turned red, a siren would, at the same moment, sound the alarm.

Norway

- *Import values increased, export values fell in 1952.*
- *Imports from Canada up by $6·8 million over 1951.*
- *Drop in freight rates will affect shipping income.*

OSLO—Norway's national economy continued to expand in 1952, though the year brought a number of adjustments. During its course, the favourable conditions which the export industries enjoyed in 1951 changed considerably and the extraordinary profits came to an end. These industries, including shipping and whaling, were again working on a close margin. However, though in some cases production declined as the demand dropped, activities in general were reasonably well maintained.

Agriculture and the fisheries had a relatively good year; the net increase in the merchant fleet totalled approximately 255 thousand gross registered tons. On the other hand, freight rates dropped considerably and the surplus of some 190 million kroner obtained on the balance of payments in 1951 is expected to become a deficit of about 100 million kroner in 1952. A high level of activity, however, was general and the money circulation increased in step with prices and wages.

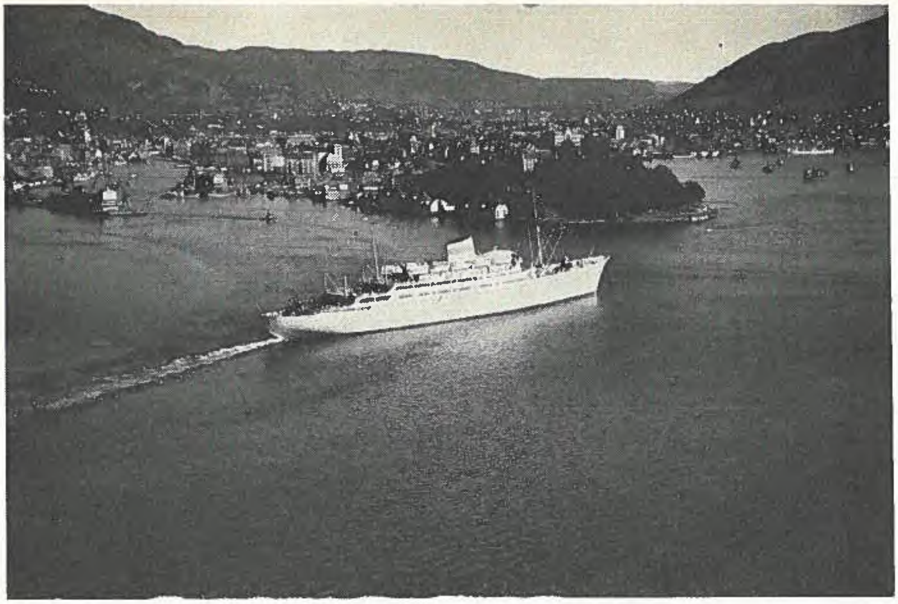
Up to the time when ERP was replaced by MSA at the end of 1951, Norway had received direct aid to the amount of $253·5 million, of which goods to the value of $231·9 million had been delivered by mid-1952. Detailed statistics on MSA aid during 1952 are not yet available but a statement by the Bank of Norway at the end of the year calculated counterpart funds of MSA grants at Norwegian kroner 265 million, and counterpart funds of MSA loans at Norwegian kroner 30 million.

Situation in EPU

Norway had an accumulated deficit of $76·5 million with the European Payments Union at the end of 1952. From this amount $60 million, Norway's "initial position" in EPU ($50 million as gifts and $10 million as loans), must be deducted. At the end of the year Norway had thus drawn $16·5 million of her quota and was approaching the limit beyond which payments partly in gold must be made to the Union. (Norway's quota is $200 million and in accordance with revised provisions, effective July 1, 1952, any amounts drawn in excess of 10 per cent of the quota must be paid partly in gold.)

Balance of Payments

The improvement in the balance of payments in 1951 continued during the first half of 1952, when the surplus on current account reached 250 million kroner. The last six months, however, ended with a foreign exchange deficit of 350 million kroner and the net deficit was thus 100 million kroner. The deterioration in the balance of payments from 1951 to 1952 stemmed chiefly from transactions in pounds sterling. The dollar balance improved slightly.



(Above) The Norwegian liner "Oslofjord" enters Bergen Harbour. Norway's shipping makes a valuable contribution to the country's balance of payments but a fall in freight rates is expected to cut shipping income.

The most striking feature of Norway's foreign trade in commodities (exclusive of ships) was the increase in import values and the decrease in export values. The total import surplus (commodities only) increased from 1,387 million kroner in 1951 to 1,811 million in 1952. The import figures for these two years were 5,365 and 5,579 million kroner, and export values 3,979 and 3,768 million kroner respectively. In terms of volume, there was a general decline in foreign trade.

Foreign Trade

Of Norway's total imports in 1952, European countries supplied 72 per cent and North America 17·5 per cent. The following countries were the most important suppliers: Great Britain, 20 per cent; Sweden, 13·8 per cent; Western Germany, 11·2 per cent, and the United States, 11·1 per cent. On the export side, the chief customers and their share of Norway's total exports were remarkably similar to those on the import side. Exports to Europe totalled 70·6 per cent and to the North American continent 11·1 per cent. The chief individual purchasers, with percentages, were: Great Britain, 20·1; Sweden, 9·6; Western Germany, 8·8 and the United States, 7·7.

Norway's trade with Canada saw the values of both imports and exports increase in 1952 as compared with 1951; imports advanced from \$32·2 to \$39 million, and exports from \$3 to \$3·9 million. The most important imports from Canada were, in order of importance, nickel in matte or speiss, wheat, fine copper in ore, barley, drugs and chemicals n.o.p., and carbon graphite electrodes. The most important exports to Canada were ferro-silicon; canned anchovies and sardines; mechanical wood pulp; non-ferrous metals and their products; industrial furnaces and parts; nickel bars, rods, strips and sheets; synthetic staple fibres, and steel castings n.o.p.

Full employment continued in Norway throughout 1952; in many trades there was even a shortage of labour. The excess of demand over supply on the labour market was, however, less than in 1951. The seasonal peak was reached in June, when the total number of insured workers was 918,390, compared with the highest 1951 figure of 922,754. On the average, registered unemployment in 1952 was about one per cent of the total labour force. Even if the employment situation is on the whole satisfactory, recent developments have called attention to the difficulties of keeping employment at the maximum during 1953.

Shipping

No other branch of the Norwegian economy suffered more heavily from the setbacks of 1952 than the shipping trade. The tramp freight index (July-December 1947 equals 100) dropped from 167·9 in January to 83·7 in August. A partial recovery brought the figure up to 89·5 in December. During the same period, the time charter index declined from 117·5 to 60·4, and the tanker freight index from 407·4 to 150·8. But even though some ships have been laid up, the fleet on the whole has been in operation. Since there is a considerable time lapse between fluctuations in freight rates and their effect on shipping incomes, the net contribution of shipping to the country's balance of payments will probably be about the same for 1952 as for 1951—about 2,000 million kroner.

During the year the merchant fleet increased by approximately 255 thousand gross tons. On January 1, 1953, it totalled 6,043,000 gross tons and consisted of 2,151 ships, of which 366 were tankers aggregating 3,107,000 gross tons. At the turn of the year the tonnage contracted for or under construction for Norwegian account totalled 3,046,000 gross tons, of which 666 thousand tons are being built by Norwegian yards.

Fisheries and Agriculture

The output of Norway's fisheries was lower in 1952 than in the preceding year. The winter herring fisheries catch totalled approximately 820 thousand tons, compared with 888 thousand tons in 1951. The cod fisheries yielded 122 thousand tons (149 thousand tons in '51). The total yield of Norwegian fisheries declined from 1,668,525 tons in 1951 to 1,632,974 tons in 1952 but because export prices were higher, the first-hand value of the catch was only slightly lower.

The quantity of whale oil produced by Norwegian companies in 1952 was about the same as in 1951—some 1,018,906 barrels, as against 986,817 barrels in '51. The Norwegian sperm oil production amounted to 137,402 barrels, a slight improvement on the 1951 figure of 129,467 barrels. Because of the lower prices prevailing on the world market, however, the value of the 1952 production of whale oil and other byproducts declined to 311 million kroner from 358 million during the previous season. During the 1952-53 whaling season, only seven Norwegian expeditions participated, in contrast to ten expeditions in 1951-52.

Crops were somewhat larger than in 1951 but still not satisfactory. According to a preliminary calculation, the total output in 1952 was 1,984 million "feed units" (the equivalent nutritive value of one kilogram of barley). The corresponding figure for 1951 was 1,860 million feed units and for 1950, 2,084 million, the highest output ever attained. (An average crop is considered to be approximately 2,049 million feed units.) On the whole, grassland and pasture crops were good; the hay crop was estimated at 2·9 million tons, or 230 thousand tons more than in 1951. Grain crops totalled approximately 359 thousand tons compared with 360 thousand tons for 1951 and the potato crop increased 16 per cent.

The agricultural price index (April 1, 1938-December 31, 1939, equals 100) rose to 308 in November 1952 from 287 a year earlier. The index for plant products rose from 284 to 289, for animal products from 288 to 312, and for agricultural equipment and supplies from 239 to 249.

During the felling season 1951-52, the production of timber amounted to 8·18 million cubic metres, compared with 6·55 million during the preceding season. This is a postwar record. The sale of timber was decontrolled on December 10, 1952. Timber prices declined slightly in 1952, from 70 to 67 kroner per cubic metre for spruce.

Industry

For the first time since the war, total industrial production did not increase. During the first 11 months of the year, the index of industrial production remained at 148·6, the same as for the corresponding period of 1951. For the export industries the indices were 136 and 135·9 respectively, and for industries producing for the home market 154·6 in 1952, compared with 154·8 in 1951. Keeping in mind the progress in expanding industrial equipment, this means that the use of available capacity has declined to some extent.

However, a few branches of industry increased their output, especially the mining and electro-chemical industries, in which there have been heavy investments since the war. A large proportion of these investments formed part of the North Norway Development Plan, as a result of which the Sydvaranger Mining Company at Kirkenes resumed its production of iron ore. Before 1939 this plant was Norway's leading producer of iron ore but it was so heavily damaged during the war that it had to be completely reconstructed. Total exports from Sydvaranger in 1952 reached approximately 400 thousand tons, and in 1953 are expected to increase to more than 900 thousand tons. The total production index for the mining and metal producing industries rose from 112·5 in 1951 to 122·3 in 1952, and in the electro-chemical industry from 170·7 to 179·5. The level of activity in the textile, footwear, pulp and paper and wood refining industries was somewhat lower than in 1951.

The Outlook

The level of industrial production continued to be high during the first quarter of 1953. The index reached 164 in February and declined slightly in March to 161, as compared with 149 for the whole of 1952. Unemployment rose slightly but business has been brisk, although the trade in certain luxury articles and textiles declined. The output of the fisheries has varied; the total yield of the winter herring fisheries was valued at about 130 million kroner as compared with 154 million in 1952 but the cod fisheries have not been satisfactory. In agriculture, the year seems to have started well with a satisfactory amount of rain.

Marketing conditions are still very good in a number of export trades, including fertilizers, ores and metals. The value of exports, however, continued to drop during the first three months of 1953; the value of imports increased to some extent. The drop in freight rates appears to have come to an end during the first quarter of 1953 after the preceding heavy decline. In March both tramp and tanker freight rates moved up; the freight index in that month was 90·9 for trip charter and 77 for time charter, compared with 89·5 and 60·4 respectively at the end of 1952.

Even if the demand for Norwegian export products and shipping services increases, it will be some time before this will mean more foreign exchange to finance imports. With investment high and defence expenditures growing, Norway's expenditures on imports will probably not shrink. With a deficit on current account, the danger is that it may reach such proportions, and last for so long, that neither the currency reserves nor long-term lending from abroad can balance it. In that case, the country might experience difficulties that would affect both production and employment.

—J. L. MUTTER
Commercial Secretary for Canada

Portugal

- *Six-year, $470 million development plan under way.*
- *Cork and wine exports showed marked drop in 1952.*
- *Restrictions on dollar buying cut trade with Canada.*

LISBON—Metropolitan Portugal, including her prosperous island areas of Madeira and the Azores, is a remarkably stable part of the European trading picture. Portugal is one of the creditor nations in the European Payments Union, has a strong and stable currency, and no free market for escudos.* It carries successfully such social services as family allowances, birth and nursing grants, provident funds, holidays with pay, government-sponsored housing schemes and constantly expanding facilities for education, particularly for adults.

In addition, Portugal's network of roads equals, per head of population, that of any country in Europe; her telephone service is excellent; cheap hydro-electric power is steadily expanding to serve industrial needs. and the ports of Oporto and Lisbon are constantly being modernized.

The budgetary position, though somewhat strained by defence commitments as a member of NATO, is unique in that, during the years since World War II, the budget has been balanced for seven consecutive years.

Of considerable interest to Canada is the Portuguese plan of development, spread over 1953-1959. The plan provides the sum of escudos 13 billion ($470 million) to be expended equally in Metropolitan Portugal and her rapidly developing overseas provinces of Angola and Mozambique, as well as her far eastern possessions of Macau, Portuguese Timor and other islands off the coast of Africa. It includes a great increase in hydro-electrification both in Portugal and overseas; irrigation, roads, port development, railways, colonization in Africa, and mineral development, particularly of manganese.

* 1,000 escudos=approx. $30.00 Canadian.

To make the Portuguese economy more self-contained it is proposed at the same time to build up the iron and steel industry, and increase production of tinplate (for the extensive canning industry) and certain chemicals, such as tanning extracts, taking advantage of the favourable climate in Portugal for acacia and mimosa production. Idle reserves in banks, private industry and government agencies, as well as accumulated balances, are confidently expected to carry the cost of this ambitious long-term plan.

Portugal, as a creditor nation in the EPU, is attempting to increase imports from other European countries, and there is already keen competition among the United Kingdom, Germany, France and other European industrial nations for a share in the plan. The overseas provinces, it is said, will be allowed considerable latitude to buy essential equipment in dollar areas, where industrial and technical goods can be obtained more readily. Canadian firms with representatives in Portugal or Africa would therefore be well advised to keep in touch with these developments.

Portugal's Overseas Trade Trends

Portuguese foreign trade in 1952 shows imports to the value of 9,967 million escudos against 9,472 million in 1951. Exports decreased to 6,820 million escudos, as compared with 7,559 million in 1951.

	Imports from		Exports to	
	Million Escudos	Percentages	Million Escudos	Percentages
Portuguese overseas provinces...	1,525	15·3	1,790	25·8
Member countries of the EPU				
United Kingdom	1,585	15·9	841	12·4
West Germany	723	7·3	426	6·3
Belgium-Luxembourg	1,055	10·6	274	4·0
France	469	4·7	289	4·2
Italy	194	1·9	234	3·4
Other countries and overseas territories of member countries, except Portuguese provinces	1,504	15·1	828	12·5
	5,530	55·5	2,892	42·8
Various	....	....	20	0·3
Countries not EPU members				
United States	1,362	13·6	989	14·5
Brazil	63	0·6	246	3·6
Saudi Arabia	424	4·3	....	....
Canada	157	1·0	59	0·9
Other countries	1,062	10·7	883	13·0
	3,068	30·2	2,177	32·0
Totals	10,124	100	6,879	100

The table reveals that measures taken in 1952 to restrict exports to European countries did not have a marked effect in diverting exports to dollar areas, particularly the United States.

Exports to the United Kingdom fell more sharply, but the U.K. maintained its leading position in exports. Germany and Belgium-Luxembourg increased their sales to a marked degree; France lost ground.

From the Portuguese point of view, these figures show a disappointing fall in exports and energetic measures will shortly be taken to advertise and extend commercial activities in the United States and Canada.

The annual report of the Industrial Association of Oporto, regarded as the principal manufacturing group in Portugal, stressed a number of adverse conditions affecting industry in 1952, though the report was largely designed to impress the Government with the need for greater protection and less liberalization of imports. For example, 1952 was reported the worst year in recent times for cotton spinning mills because of foreign competition and decreased internal demand. The bicycle assembly industry suffered from contraband shipments from Spain, unlicensed manufacture in Portugal, and severe foreign competition. The shoe industry complained of over-production; breweries, of malt shortages because of poor barley crops; the cork industry, of inability to ship to Brazil and competition from inferior but cheaper cork products from North Africa; the wolfram industry of the higher export tax seriously restricting sales to the United States. Similarly, foreign competition is blamed for lower sales of fertilizers and light and heavy chemicals.

On the brighter side, the metal trades industry reports increasing sales with good prospects for 1953, the glass and china producers are expanding to meet foreign demand, and sugar refineries report better conditions because of the relaxation in government controls. With the steady expansion of cheap hydro-electric power, industry as a whole is expected to improve later in 1953.

Agriculture in Review

In a recent review by the Ministry of Economy, production of wheat in Metropolitan Portugal was estimated at 554,252 metric tons, a decrease of 4·4 per cent from the previous crop. It is expected that 142 thousand metric tons will be required from overseas in 1953, of which 110,800 tons were allocated under the International Wheat Agreement. with possibly larger quantities in ensuing years. Production of maize in 1952 was 6,253,000 hectolitres (625,300 metric tons), a slight increase over the previous year. Rye production was 174 thousand tons compared with 193,670 tons in 1951. Oats production amounted to 135,375 tons in 1952 as against 148,140 tons in 1951; the figures for barley were 132 thousand tons and 136,770 tons respectively. The potato crop was about normal, at 1,025,000 tons.

The 1952 production of wine was most unsatisfactory—only 5,105,000 litres compared with 9,469,000 litres in 1951 and the depletion of wine stocks has brought a definite rise in prices. Finally, olive oil production was 53 million litres—approximately 40 per cent of the previous year but only slightly under the five-year average.

The agricultural outlook for 1953 appears promising.

Official statistics indicate that exports of cork, one of Portugal's leading sources of income, suffered a marked decline in 1952 as compared with the previous year. However, this was not unexpected because of heavy purchases for stockpiling during the two previous years, following the outbreak of the Korean war.

Exports amounted to 148,859 metric tons, compared with 230,346 tons in 1951, a drop of 35 per cent. But, as average prices were higher in 1952, the value of exports approximated that in 1951—1,221 million escudos against 1,377 million. Spanish and North African competition is expected to reduce prices in 1953, but Portugal hopes for a renewal of her sales to Brazil in compensation.

Total wine exports dropped to 21 million litres in 1952 from 27 million in 1951, largely because of British duties and restricted overseas demand. Larger orders and new markets may develop in 1953 as a result of recent trade agreements with France, Germany and Belgium.

Exports of sardines continue on a modest scale, last season's stocks are declining and prices are expected to fall to meet overseas competition. Stocks in hand are estimated at 150 thousand cases, with canning operations due to begin with the new fish harvest early in June.

Prospects for Canadian Trade

Despite continued restrictions on dollar purchases and Portugal's commitment to liberalize imports from other European countries, there is marked interest in and continual inquiries for a wide range of Canadian products, in the hope that import regulations will be relaxed and more dollars be made available for purchases in Canada.

Imports from Canada decreased from escudos 206,866 million to escudos 157,134 million, compared with exports to Canada of escudos 57,434 million in 1951 and escudos 59,833 million in 1952 (a slight increase over previous years).

This marked decrease in imports stemmed mainly from the increased competition in sales of dried salt codfish from Norway and marked improvement in the annual catch of the Portuguese modern fishing fleet. The bringing in of wet salted fish from Iceland and France for drying in Portugal has also had a marked effect on Canada's sales and Portugal continues reluctant to allocate dollars for this commodity, though Newfoundland cod takes first place for quality.

One of Portugal's traditional exports is canned sardines and this scene is taken in a typical canning factory in southern Portugal. Canning operations usually begin with the new fish harvest early in June.

Principal imports from Canada, in order of importance, were: wheat, dried cod, antibiotics, flour, paper, asbestos, copper, tinplate, aluminum, streptomycin, industrial machinery, tires, chains and cables, zinc oxide, synthetic rubber, light and heavy chemicals, and furs.

Sales to Canada Increase

Portugal's sales to Canada are increasing steadily and official circles indicate that a special effort will be made to expand sales during 1953-54 by personal visits of qualified personnel, by advertising and by increased participation in the Canadian International Trade Fair in 1954.

Chief products at present exported to Canada include cork (insulating and board), tungsten, mercury, embroideries from Madeira, table wines, Madeira and white port, canned fish, almonds, dried figs, olives, china and glassware, cut glass chandeliers and filagree jewellery.

Portugal's Financial Position

	(Millions of escudos) 1952	1951	1950
Gold and foreign exchange reserve	16,176	15,820	13,419
Credit granted	1,151	778	590
Bank notes in circulation	9,528	9,362	8,526
Treasury s/account	1,389	987	443
Public Credit Board	9	17	10
ERP Funds, counterpart funds	29	42	299
Deposits from banks and bankers	2,409	2,782	2,466
Savings deposits	3,412	2,572	1,366
Remaining responsibilities	281	548	338
	17,057	16,310	13,448

Thus the total monetary issuance by the Bank of Portugal represented by notes in circulation and other responsibilities showed, at the end of the year, an increase of 747 million escudos over 1951 resulting from, in almost equal proportions, the reserve in gold and foreign exchange and the concession of credits.

The Trade Outlook

The continued restrictions on import licences for purchases in dollar countries will tend to restrict growth of Canadian exports to Portugal and her great overseas provinces of Angola and Mozambique. There are increasing signs, however, of a relaxation in such controls to meet the needs of Portugal's six-year plan, and the steady reduction of her creditor position in the European Payments Union should assist materially. Portugal's proposed efforts to increase her sales to Canada and the United States during 1953-54 should strengthen her dollar position.

Canadian firms should maintain close contact with their established agents and keep them supplied with latest data on deliveries, change in prices and competitive position.

—L. Moore Cosgrave
Commercial Counsellor for Canada

Spain

- *Good harvests main factor in general improvement.*
- *Financial aid from U.S. expected in near future.*
- *Foreign trade expanding in both volume and value.*

MADRID—The Spanish economy, which has been limping along for so many years, is now recovering a measure of health, thanks to the good harvests gathered in 1951 and 1952. The fair harvest expected this summer should ensure that the gradual upswing of business activity will continue.

Although the scars and distortions left by the Civil War, the economic isolation imposed by the World War, and the postwar droughts are slowly receding into the background, full economic recovery is some distance off. There is still a chronic shortage of foreign exchange, particularly of dollars. Many Spanish goods are meeting with buyers' resistance abroad; the visible balance of foreign trade was unfavourable in 1952. Internal factors are more reassuring, however. Industrial and agricultural production is increasing, prices are levelling off, the ordinary budget has been balanced, black markets have been broken and all rationing abolished. In fact, there is every indication that a sound economy is developing.

Financial Aid Coming

Of outstanding importance is Spain's prospect of receiving financial aid from the United States in the near future. Spain is the only European country this side of the Iron Curtain that has not received—apart from an Import-Export Bank loan of $62·5 million in 1950—postwar assistance of any kind, not even in the form of offshore purchases. It has been announced that the dollars-for-bases accord has been reached with the United States and only technical details remain to be settled. Congress has already earmarked $125 million for Spain and there is further provision, thought to be about $75 million, included in the Foreign Aid bill now before it. It is not known how much of the total will be administered by MSA, as apart from defence aid funds, but the percentage will probably be substantial. The MSA funds will be spent in ways most likely to give lasting stimulus to Spanish economic growth, such as improving transportation, agriculture and mining. The railways, an obstacle to the country's progress in their present state, are particularly badly in need of rehabilitation.

The good harvests collected in two sucessive years brought many benefits to consumers. About a year ago, bread, rice, olive oil, sugar and other foodstuffs vital to the poorer classes were derationed and at the end of 1952, the two remaining commodities on ration—gasoline and tobacco—were freed. The general abundance of foodstuffs has brought a moderate decrease in prices and has finally broken the black markets which were for so long the main source of supply. Industry and agriculture have also benefited from increased imports of raw materials, brought in with the deliberate intent of defeating speculators. The savings on food imports made these shock imports of raw cotton, copper, hides, crude rubber and fertilizer possible.

Better electricity and raw material supplies have led to a moderate rise in industrial output of 11·8 per cent in 1952. According to the Bank of Spain, the 1952 wholesale price index rose less than one per cent. The value of the peseta has hardened appreciably on the world's free currency markets.

Rainfall Vital

As a predominantly agricultural country with too little land under irrigation, Spain's prosperity depends on the vagaries of the weather. The lack of rainfall at the proper time affects industry as well because it lessens hydro-electric power supplies. Various long-range irrigation and water storage schemes are planned or under construction but until they are completed, the economy remains at the mercy of the weather.

The complete lack of rainfall in the more important agricultural areas during the early months of this year caused a great deal of concern over prospects for the coming harvest. However, widespread rains during the last half of April greatly improved the outlook. But the wheat crop is expected to be short and arrangements are being made to import up to 500 thousand tons. Dollars will have to be paid out for a good percentage of these imports. Pastures too are in poor condition and the meat supply will be affected. The output of other foodstuffs is expected to be satisfactory. Water and electricity shortages may develop later on this year, and this will affect industrial output adversely.

Foreign Investment Needed

The most important factor holding up industrial expansion is the shortage of investment capital and Spain hopes to attract foreign capital. At present, the State absorbs all forced savings in the form of social security payments and a substantial portion of private savings deposits, leaving very little for private industry. Foreign participation in Spanish companies is, moreover, limited by the Investment Law of 1939 to 25 per cent of the share capital. In isolated instances over the past three years, foreign investors have been allowed up to 50 per cent participation. It is expected that the Government, recognizing the need of capital from abroad, will gradually relax the provisions of this law.

Profit remittances on dollar investments in Spain have not been permitted since 1936. Royalty payments, on the other hand, are being made but are in arrears. The aid pact with the United States may create a better atmosphere for dollar investment in Spain and pave the way for the renewal of dividend remittances.

Trade Is Expanding

Spanish visible foreign trade continues to expand in imports and exports and in value as well as in volume. Official statistics place the value of total trade (excluding trade between Spain and its overseas possessions) in 1952 at 3,135 million gold pesetas (one gold peseta= approx. 33 cents) which compares with a total trade value of 2,771 million gold pesetas in 1951. In 1951 there was a favourable balance of 173 million gold pesetas but in 1952 this turned into an unfavourable balance of 365 million gold pesetas. The unfavourable position probably stems from a shift in the terms of trade against Spain, stiffer competition in traditional export markets, and a more liberal import policy designed to keep prices down. There were, for instance, sharp decreases in exports of textiles and metal products. Although balance of payment figures are never published, opinion is that the invisible items in Spanish trade cancel out.

Germany Makes Gains

About 70 per cent of Spain's foreign trade is with Western European countries and the United States. In order of importance, the United Kingdom, the United States, Germany and France were the leading countries in Spanish trade in 1952. With the exception of the United States, trade with these countries is carried on through bilateral agreements; Spain is not a member of EPU. Spain had an unfavourable balance with the United States in 1952 of 138 million gold pesetas. Imports from the United States were made up chiefly of petroleum products, cotton, wheat, and other prime essentials. Germany is making strides in the Spanish market and lately has been shipping important quantities of consumer as well as capital goods.

Trade with Canada

Spain's trade with Canada in 1952 balanced at a level of about $4·3 million. From the Canadian point of view, this was an improvement over 1951 when Canadian imports into Spain amounted to only $925 thousand compared with Spanish exports to Canada of over $7 million. Apart from indirect trade which is of some importance in both directions, wheat represented nearly half the value of Canadian exports to Spain in 1952. Other principal items in order of importance were: salt codfish (appearing in 1953 trade returns), sulphite pulp, asbestos, brass bars and rods and scrap, ferro-manganese and newsprint. Principal Spanish exports were green olives, cork, almonds and peanuts, wine salt for fisheries, sewing machines and olive oil.

Trade Prospects

Any hope of broadening the range of goods moving from Canada to Spain will depend on Spain's success in expanding her exports to the dollar area. In the short-term view at least, it is unlikely that Canadian exporters will find worthwhile outlets in this market for goods other than wheat, salt fish, and raw materials in general. Shipments from Canada of wood pulp and newsprint are not likely to be repeated because last year's purchases of these were made under special circumstances. MSA funds for Spain will, of course, provide new opportunities and Canadian manufacturers of railway rolling stock and equipment, agricultural machinery, heavy mining and industrial equipment, etc., would do well to keep their eyes on this market.

—E. H. Maguire
Canadian Government Trade Commissioner

Sweden

- *Export earnings of forest products slumped in 1952.*
- *Germany regained first rank as Swedish supplier.*
- *Cut in freight rates will affect shipping income.*

STOCKHOLM—The price boom in Sweden's exports in 1950 and 1951 resulted in a surplus in balance of payments on current account of 190 million kronor in 1950 and 940 million in 1951. The return of prices to normal in late 1951 and the tighter import restrictions on pulp and paper imposed by two of Sweden's best customers, the United Kingdom and France, brought the surplus for 1952 down to 40 million kronor.

Agricultural harvests were satisfactory and the building (mostly residential) and shipbuilding trades made modest advances during 1952. In engineering, demand slackened off toward the end of the year, partly because of keener competition from Western Germany. Labour, which has been short ever since the end of the war, showed signs of becoming more stable. The trade unions negotiated an average wage increase of about 15 per cent over the 1951 wage scale. Since the cost-of-living index has only risen between 4 and 5 per cent, this means a real increase for the workers of about 10 per cent for the year.

The Industries

Exports of forest products in 1952 dropped drastically as prices fell sharply, but production costs remained the same or rose slightly. Import restrictions introduced by Sweden's biggest customers, who also had to pull in their belts, contributed to the shrinkage in export earnings. Production of wood pulp dropped from two million tons in 1951 to 1·6 million in 1952. Exports of sawn and planed wood dropped from 838 thousand standards in 1951 to 658 thousand standards in 1952. Paper and paperboard prices dropped by nearly 40 per cent at the end of 1952; production dropped by about 20 per cent. Only newsprint was able to maintain full production and sales throughout the year. Recent reports indicate some improvement in the outlook for forest products in 1953.

The expansion in Sweden's steel industry is reflected in the year's production figures, recently published. Pig iron production for the first time exceeded one million tons, an increase of 200 thousand tons over 1951. The output of castings also increased substantially, as did iron and steel for market; imports rose slightly—from 750 thousand tons in 1951 to 788 thousand tons in 1952—and exports remained static at 165 thousand tons. Iron consumption (i.e., production plus imports and minus exports) increased from 1·5 million tons to 1·7 million tons and iron ore exports rose from 14·99 to 15·6 million tons.

The year witnessed slackening in demand particularly during the latter half, when the engineering trades began to feel the effects of intensified competition overseas.

Good harvests meant a year of satisfactory increases in production for nearly all agricultural products. Mechanization of farming continued and the number of farm tractors now in use exceeds 80 thousand.

The favourable trade balance of 1951 became a deficit in 1952, largely because of the collapse in overseas markets for timber, pulp and paper. As usual Britain was the largest buyer but Germany resumed her traditional place as the principal supplying country, ousting Great Britain. The USSR ranked tenth as a buyer and after Canada as a supplier.

Sweden's imports from Canada in 1952 remained steady, at just over 62·4 million kronor, but her exports to Canada dropped by 27 per cent—from 61·36 million kronor to 44·72 million kronor. This was almost entirely because an exceptional shipment of butter raised the 1951 figures by nearly 15·6 million kronor. Swedish manufacturers are devoting ever-increasing attention to the Canadian market and the fact that exports to Canada have increased from under 18·2 million kronor in 1949 to over 44·2 million kronor in 1952 shows that their efforts have met with some success. During the same period, imports from Canada rose from 28·6 million kronor to 62·4 million kronor.

Balance of Payments

The deficit in the trade balance was more than offset by increased earnings from shipping, estimated at 1,000 million kronor for the year, or slightly more than in 1951. The estimated net deficit in revenues from other current items—such as tourist trade, interest, dividends, etc.—is put at 100 million kronor, leaving a surplus for the year of 40 million kronor or about 500 million less than in 1951.

Total foreign exchange reserves, which had increased by over 1,000 million kronor during 1951, remained steady in 1952 (2,284 million kronor in December) subject to only minor fluctuations. The net result at the end of the year was a drop of 74 million kronor in the Riksbank's holdings of gold and foreign exchange, which was more than offset by an improvement of 206 million in the commercial banks' foreign payment position.

Imports from the dollar area remained unchanged at 1,250 million kronor in 1952 as compared with the previous year; exports dropped 660 million kronor to 615 million, leaving a deficit of 635 million kronor, a considerable deterioration from the position in 1950, when dollar trade was in balance. The dollar problem accordingly continues serious and imports from dollar sources are under rigid control.

Forecast for 1953

In the Government budget proposals for 1953-54, the export value of Sweden's foreign trade for 1953 is forecast at about 7,000 million kronor, as compared with roughly 8,000 million in 1952. In reaching this figure, an expected increase of 4 per cent in volume was forecast and a decline of 16 per cent from the 1952 level of prices. On the other hand, the volume of imports is expected to remain about the same. This, with an expected 8 per cent drop in prices, will reduce the import value for 1953 to 8,100 million kronor from 8,900 million kronor in 1952. Income from shipping is estimated at 775 million kronor as compared with 1,000 million kronor in 1952. This shrinkage is attributed to an expected 5 per cent decline in transport volume and a 15 per cent cut in the average level of freight rates. It is expected that there will be a net deficit of 100 million kronor on other invisibles, including tourist trade. The Government will, therefore, budget for a deficit on current account of 425 million kronor.

—F. W. Fraser
Commercial Counsellor for Canada

Switzerland

- *Exports exceed imports for first four months of '53.*
- *Falling commodity prices act as brake on imports.*
- *Imports from Canada, mainly raw materials, are up.*

BERNE—Switzerland's national income during 1952 is estimated at 20·1 billion francs, or about $4·7 billion Canadian, for a population at the end of the year of 4,780,000. This was an increase of 600 million francs over 1951 and came mainly from higher wages and salaries.

The high standard of living and prosperity here is also explained by Swiss exports, which rose to 4,749 million francs in 1952, or about $1,105 million Canadian, at a rate of exchange of 4·3 Swiss francs to the dollar. This compares with 4,691 million francs for 1951. The unfavourable balance of trade for 1951—some 1,325 million francs—was reduced to 477 million in 1952. And for the first four months of 1953 exports exceeded imports by 50 million francs.

Diligence Counts

These figures speak for themselves and are a tribute to a small land poor in natural resources which has developed into one of the most highly industrialized countries in the world. About 90 per cent of Switzerland's exports consist of manufactured products. This means that domestic conditions are governed by those prevailing in the major importing countries and by the international situation. Today there is little unemployment and the absence of strikes speaks well for the relations between management and labour. The Swiss people are convinced that their very existence depends on the skill and diligence of their workers—a feeling that the workers seem to share.

The general cost-of-living index has fluctuated only slightly during the last twelve months and stood at 168·8 at the end of April 1953 (August 1939=100), compared with 170·1 for April 1952. The index of wholesale prices fell from 220·8 at the end of April 1952 to 212·3 at the end of April 1953 (August 1939=100).

Foreign Trade

The principal characteristic of Switzerland's foreign trade during the last twelve months has been the trend towards a favourable trade balance. As a rule, this country imports much more than it exports. This situation is normally corrected by invisible exports, which currently constitute about one-third of the Swiss international balance of payments. The situation was reversed in August 1952, when the first favourable balance of trade was achieved. It has since continued favourable for every consecutive month with the exception of January and April 1953. The maintenance of Swiss exports at a high level is the reason for this exceptional state of affairs, plus an almost uninterrupted decline in imports since the high reached in April 1951.

—Switzerland Cheese Assoc.

Here "Swiss cheese" is being carefully stored in a curing cellar, where it will ripen. Recent U.S. restrictions on the import of cheese have been a real blow to the cheese producers in Switzerland, as in other countries.

Following the outbreak of the war in Korea, Switzerland immediately built up stocks of imported goods much above the customary level. During the last two years, the Swiss have been drawing on these reserves and industry has been returning to normal—though all branches have not done so equally. For instance, the textile industry, where the process of readjustment was first noticed, has resumed purchases of raw materials. In the metallurgical, machinery and building industries, import statistics show that there are still reserve stocks of raw materials although consumption is high. Falling commodity prices continue to exert a brake on imports and until this movement appears definitely checked, it is impossible to give a reliable forecast of the future trend. Imports may, however, be maintained at about the present level for some time, particularly as there is no foreign exchange control in Switzerland and the relatively few import restrictions apply mainly to a number of agricultural products.

European Payments Union

Switzerland is a member of the European Payments Union because the aim of this organization is to facilitate intra-European trade, of considerable importance to this country. Fears are expressed that if the EPU were ended, most of the European countries would be forced to return to bilateral agreements, harmful to Switzerland. During 1952 Switzerland's exports to member countries increased by 36·4 per cent over 1951 and her adhesion to the Union has benefited the national economy.

Trade between Canada and Switzerland has increased considerably since the war and Switzerland will probably continue to look to Canada as a source of supply—mainly for foodstuffs such as wheat and other cereals, and raw materials such as minerals and metals needed in its industries. On the other hand, Canada's industrial expansion should mean an increase in Swiss exports to Canada of precision tools, apparatus and machinery of various kinds, and other products.

Trade with Canada

During the year ended April 30, 1953, Switzerland's imports from Canada were valued at 201 million francs compared with 154·4 million for the corresponding period in 1951-52, an increase of 30 per cent. Switzerland's exports to Canada for the same periods were 85·3 and 76·6 million francs, an increase of 11·3 per cent.

Switzerland offers a market for some $35 to $45 million worth of Canadian goods. For products manufactured in Canada the possibilities are restricted because the market is largely supplied by the domestic industry and there is much keen competition from the neighbouring European countries. The demand in Switzerland—and this applies to commodities of all kinds—is primarily for quality, but the Swiss also pay close attention to price. The return to a closer parity between the Canadian and U.S. dollars will assist Canadian exports considerably.

Investments in Canada

Switzerland is not overlooking the possibilities for capital investment in Canada and considerable Swiss capital is being invested there. However, this capital is mainly used to purchase securities in sound and well-established Canadian enterprises; the Swiss are traditionally averse to investing in industries where the element of risk is great, such as mining. This is particularly true of the larger Swiss banks, which have to fructify the savings entrusted to them not only by the Swiss people themselves but by the many foreigners who maintain bank accounts in Switzerland.

Experience has taught the Swiss to be cautious in establishing factories in other countries. Swiss industrialists prefer to export their goods from their plants in Switzerland rather than manufacture them abroad, except in countries where they are encouraged to do so by protective customs tariffs, and where financial transfers are not made precarious by the possibility of restrictions being imposed on foreign exchange. Comparatively few Swiss industries have established branch plants in Canada in recent years. The proximity of the powerful U.S. industry is doubtless a deterrent but the Americans themselves are setting up branch plants in Canada, and this may influence the Swiss to follow their example.

Future Prospects

The last two years have been prosperous ones for Switzerland. Though there are a few soft spots, the general level of production remains high. Competition from a number of industrial nations, principally Germany, is becoming keener. Switzerland is endeavouring to meet this competition by keeping pace with the modernization of industry in other countries. Specialization and not mass production is the rule and efforts are directed to the export of products as highly finished as possible and of the best quality.

About one-third of total Swiss output, mainly manufactures, is exported. A number of branches of production depend almost entirely upon foreign markets; ninety per cent of the production of Swiss watches, for instance, is marketed abroad. It is natural therefore for the Swiss to be alarmed at any prospect of increased duties on their products in other countries. The possibility last July that watchmakers in the United States might succeed in securing higher duties caused considerable anxiety in Switzerland. The relations between the two countries were further strained as a result of the United States Government's restrictions on cheese, another important Swiss export. The possibility of a change in the traditional protectionist policy of the United States toward freer imports is of special interest to Switzerland and developments are being watched closely.

Switzerland's commercial relations with the sterling area are important and the country is looking forward to the possibility of an early return to freer convertibility of the pound sterling. Here, where commercial policy is traditionally liberal, foreign exchange restrictions and bilateral trade agreements are viewed as a barrier to the expansion of international trade and as temporary expedients to be used only in an emergency.

The Outlook

About six months ago there were indications of a certain stabilization in the economic situation and a return to normal. A slow deflationary trend has set in, but Switzerland views the immediate future with considerable confidence. Her financial situation is strong (the note circulation is entirely covered by gold) and industry is on a sound footing. Reserves are being accumulated to meet an economic crisis if one should come.

—YVES LAMONTAGNE
Commercial Counsellor for Canada

Data for Exporters

The International Trade Relations Branch of the Department of Trade and Commerce has prepared bulletins covering shipping documents and customs regulations of the following countries: Austria, Belgium, Belgian Congo, Brazil, Chile, Colombia, Cuba, Denmark, Dominican Republic, Egypt, Finland, France, Western Germany, Guatemala, Haiti, Iceland, Indonesia, Israel, Italy, Mexico, Netherlands, Netherlands Antilles, Norway, Panama, Peru, Surinam (Netherlands Guiana), Sweden, Switzerland and Venezuela.

If you wish copies, write to the Branch. Data on other countries will be compiled from time to time and will be added to this list.

For Information on . . . Write to:

EUROPE	*K. Nyenhuis, Area Trade Officer for Europe, Department of Trade and Commerce, Ottawa.*
AUSTRIA	*(See Switzerland)*
BELGIUM	*T. J. Monty, Commercial Secretary, Canadian Embassy, 35 rue de la Science, Brussels.*
DENMARK	*(See Norway)*
FINLAND	*(See Sweden)*
FRANCE	*Acting Commercial Counsellor for Canada, 3 rue Scribe, Paris.*
GERMANY	*B. A. Macdonald, Commercial Counsellor, Canadian Embassy, 22 Zitelmannstrasse, Bonn.*
GREECE	*H. W. Richardson, Commercial Secretary, Canadian Embassy, 31 Vassilissis Sophias Ave., Athens.*
IRELAND	*T. G. Major, Commercial Counsellor for Canada, 66 Upper O'Connell St., Dublin.*
ITALY	*S. G. MacDonald, Commercial Counsellor, Canadian Embassy, Via Saverio Mercadante 15, Rome.*
NETHERLANDS	*J. A. Langley, Commercial Counsellor, Canadian Embassy, Sophialaan 1-A, The Hague.*
NORWAY	*J. L. Mutter, Commercial Secretary, Canadian Legation, Fridtjof Nansens Plass 5, Oslo.*
PORTUGAL	*L. M. Cosgrave, Commercial Counsellor, Canadian Legation, Avenida de Praia da Vitoria, 481°D., Lisbon.*
SPAIN	*E. H. Maguire, Canadian Government Trade Commissioner, Apartado 117, Madrid.*
SWEDEN	*F. W. Fraser, Commercial Counsellor, Canadian Legation, P.O. Box 14042, Stockholm.*
SWITZERLAND	*Yves Lamontagne, Commercial Counsellor, Canadian Embassy, Kirchenfeldstrasse 88, Berne.*

Foreign Exchange Rates

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

Conversions into Canadian dollars have been made at cross rates with sterling or the United States dollar on the date shown.

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

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

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

For conversion to United States dollar equivalents multiply by 1·0044.

Country	*Unit*	*Type of Exchange*	*Canadian dollar equiv. June 18*	*Notes (See below)*
Argentina	Peso	Preferential buying	·1327	
		Basic buying	·1991	
		Preferential selling	·1991	(1)
		Basic selling	·1327	
		Free	·07167	
Austria	Schilling		·03829	
Australia	Pound		2·2415	
Belgium-Luxembourg & Belgian Dependencies	Franc		·01994	
Bolivia	Boliviano	Official	·00524	
British West Indies	Dollar		·5837	(3)
	Pound		2·8019	(4)
	Dollar	Brit. Honduras	·7020	
Brazil	Cruzeiro	Official	·05382	tax 8%
		Free	·01978	(2)
Burma	Kyat		·2101	
Ceylon	Rupee		·2101	
Chile	Peso	Official	·03206	(1)
		Commercial	·01658	
		Free	·00905	
Colombia	Peso	Basic	·3982	tax 3% (2)
		Coffee buying	·4264	
Costa Rica	Colon	Official	·1773	(5)
		Free	·1502	*May 15
Cuba	Peso		·9956	tax 2%
Czechoslovakia	Koruna		·1383	
Denmark	Krone		·1441	
Dominican Republic	Peso		·9956	
Ecuador	Sucre	Official	·06638	(6)
		Free	·05729	
Egypt	Pound		2·8590	
Fiji	Pound		2·5242	
Finland	Markka		·00433	
France	Franc		·00284	
French Africa	Franc		·00569	
French Pacific	Franc		·01564	
Germany	D Mark		·2371	
Greece	Drachma		·000033	
Guatemala	Quetzal		·9956	
Haiti	Gourde		·1991	
Honduras	Lempira		·4978	
Hong Kong	Dollar	Free	·1641	*June 5
Iceland	Krona	Official	·06113	
		Special buying	·04710	
		Special selling	·03812	
India	Rupee		·2101	
Indonesia	Rupiah	Basic	·08734	(7)
		Dollar certificate	·00188	*May 15

* Latest available quotation date.