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FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA

The EEC Market Big and Challenging

On July 1, the six member states of the European Economic Communities reached one of the main objectives set by the Treaty of Rome in 1957. They completed the formation of a customs union with the coming into effect of a single external tariff and the complete removal of internal customs duties and, in addition, in the field of agriculture, where tariffs were by no means the only means of protection, they brought under a Common Agricultural Policy–based on common prices, common import and export regimes and Community financial support–all the main agricultural commodities entering into their trade. A vast market of over 185 million people was thus created in a little over ten years' time.

IN THIS ISSUE

VOL. 130 NO. 1

Last July brought the announcement of the results of the Kennedy Round of tariff negotiations at Geneva—and a special issue of "Foreign Trade" to make them known to businessmen throughout Canada.

This July we are covering another event that has a vital influence on trade—the coming to completion of the customs union among the six countries of the European Economic Community.

We at "Foreign Trade" cannot profess to be experts on trade policies, changes in the trading environment, or the problems that foreign traders meet. But we have within reach of a personal call, an airmail letter, or the telephone Trade and Commerce people skilled in many areas. It is they who have made this study of the EEC possible.

The leading article on the changes that the EEC's first decade has wrought in the economic structure and the trade of the Six was written by Frank Piscopo, who heads the Overseas Analysis Division of our Office of Economics and Trade Analysis. He has recently returned from a meeting of the Organization for Economic Co-operation and Development.

We turned to Canada's Mission to the European Communities in Brussels for the section on the structure of the EEC, its main institutions, its policies and especially the complex Common Agricultural Policy, and its agreements of association. The Deputy Head of Mission, Michel Dupuy, and three of his staff have explained and clarified these subjects for laymen like ourselves.

The European Division of the Office of Trade Relations participated in the planning of the issue beginning early in February and has helped us at every stage of its production. Its officers have also contributed the all-important articles that define the EEC as a market, particularly for Canadian goods, and the terms of access to that market today.

To pinpoint opportunities and trading methods in each of the EEC countries we called upon our perennial reporters, the Trade Commissioners. From their posts in Paris, Bad Godesberg, The Hague, Brussels, Rome and Milan came articles that discuss what to sell in the Six and how to sell it under the new trading conditions. The Paris report, incidentally, arrived in the nick of time by telex.

Put all these contributions together and we have this special issue of "Foreign Trade". We hope that you will read it, keep it on hand for reference, and use it in promoting your export trade with this sophisticated, substantial market.

FOREIGN TRADE

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■ *Five days ago, just after we went to press, the European Economic Community reached a significant milestone in the road that its members agreed to travel when they signed the Treaty of Rome in March 1957. On July 1, 1968, the Common External Tariff was fully implemented and all internal tariffs were removed. This completed a process that began with a 10 per cent internal tariff cut in January 1959. This special issue of "Foreign Trade" discusses the implications of this development for Canada as an exporter to the EEC.*

The EEC Market—

New, Big and Challenging

The Canadian exporter to Western Europe needs to be informed about the structure and policies of the EEC and the effect of the common tariff on suppliers outside its borders. But the main emphasis in this special feature is not on the past nor even on the present, but on the future and the opportunities that the EEC offers to Canadian exporters. The implementation of the Common External Tariff has created a new and enormous single market which in 1966 absorbed imports from non-EEC countries worth U.S.$30 billion, compared with total U.S. imports of $25 billion. And within this market, demand is expanding rapidly. Canada's sales to the EEC countries reached Can.$674 million last year. But we could and should do much better.

Up to now, our exports to the Six have stayed within a fairly narrow range, with industrial materials and agricultural products well in the lead. The challenge today is not only to increase the volume of our sales to the EEC but to broaden the range significantly. When the Kennedy Round reductions are completed on January 1, 1972, the Common External Tariff on manufactured goods by and large will stand at well below 10 per cent ad valorem. That is why our Trade Commissioners in the EEC countries, in their reports in this issue, emphasize the opportunities for selling sophisticated finished goods. They point to the growing prosperity and the potential for selling North American-type consumer goods to Europeans with more money to spend on comfort, recreation, or an easier life. They stress the importance of distinctive design and originality and effective and sustained selling efforts.

In emphasizing the opportunities within the EEC, the reports do not minimize the difficulties, including the intense competition. The Trade Commissioners offer sound advice on meeting this competition and increasing sales. At nearly every stage, from initial contact to established sales, the Trade Commissioner, backed up by the Department in Ottawa, stands ready to assist both the veteran and the new exporter.

To streamline the services offered by the Department to meet the new competitive situation, the Department of Trade and Commerce has just concluded a conference in Brussels of the Trade Commissioners stationed within the Common Market countries. The results of their discussions should be apparent in improved services to businessmen as the months go by.

In the meantime, we offer this introduction to the biggest import market in the world—new, big and challenging.

The impressive progress made by the EEC countries towards formation of one prosperous economic unit is outlined in this article. Covered too are some of the problems encountered along the way.

Eleven Years of Expansion

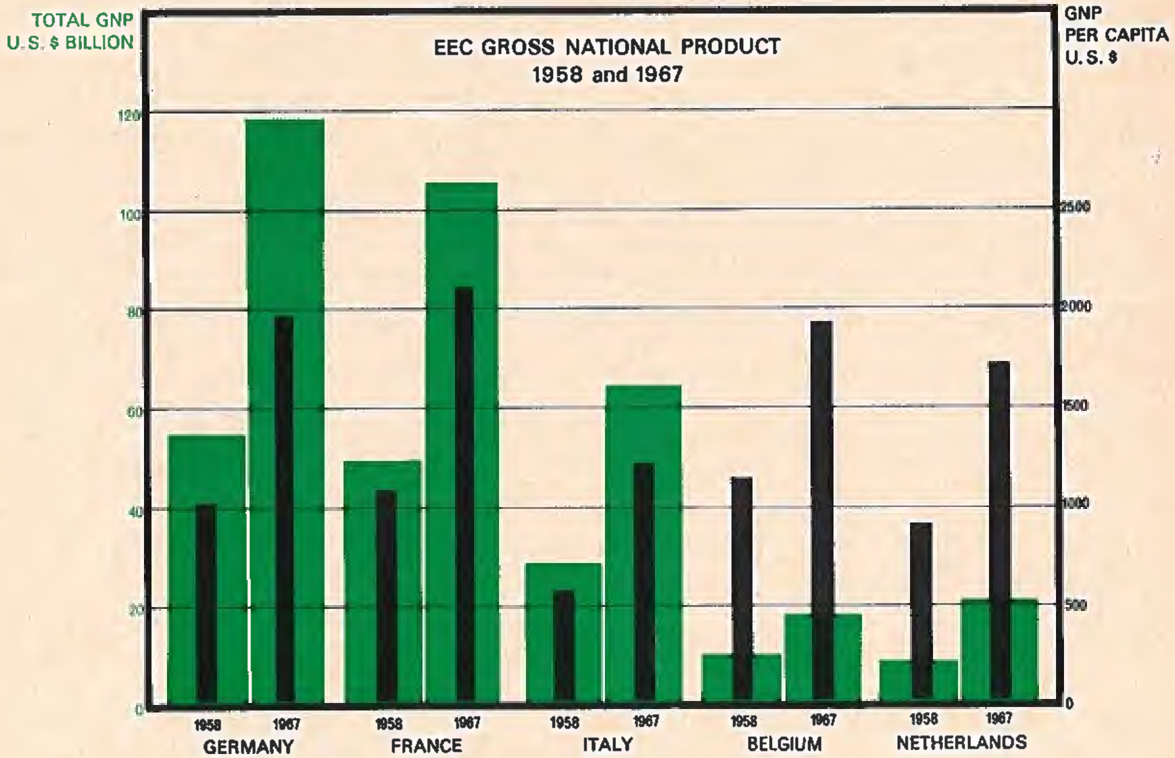
F. PISCOPO, *Office of Economics and Trade Analysis.*

■ Over ten years have passed since the Treaty of Rome entered into force and today the six countries linked in the European Economic Community present a vastly different economic picture from the one visible in 1958. Prosperity and growth have become distinguishing features of the EEC and the old Continent is again in the front line of human striving towards a better life, both in terms of wealth and of quality of achievement.

Many new factors have been at work since the inception of the EEC, breaking up and transforming the old economic and social structures and adapting them to the needs of the new entity arising from the Treaty of Rome. The most significant and compelling economic factor has been the expansion in the size of the internal market. While a single "common market" was becoming more and more a reality, the opportunity for producers to cater, free from discrimination, to a much larger number of customers was accompanied and conditioned by the need to withstand much stronger competition. On the one hand, the larger market stimulated the expansion of output; on the other, it served to upset the established pattern of competition. The outcome has been much greater efficiency in many sectors and stronger competitiveness vis-à-vis non-EEC countries.

Allied with the larger scale of the market, several other factors, not always exclusive to the EEC, have made for structural changes in the economies of the six countries. Of capital importance was the advance in science and technology, which has made possible more economic methods of production on the basis of massive investment costs and extensive production runs. The world-wide lowering of trade barriers and the fuller exposure to international competition at home as well as in foreign markets was another important factor in molding the new economic structure of the EEC. Another powerful incentive for structural changes was the rapid expansion of European affiliates of United States companies. Although these affiliates

CHART I



still represent a small segment of EEC's total productive capacity, they have gained dominant positions in some leading sectors and have spurred European producers towards greater efficiency of operations and corporate mergers.

Some Problems Apparent

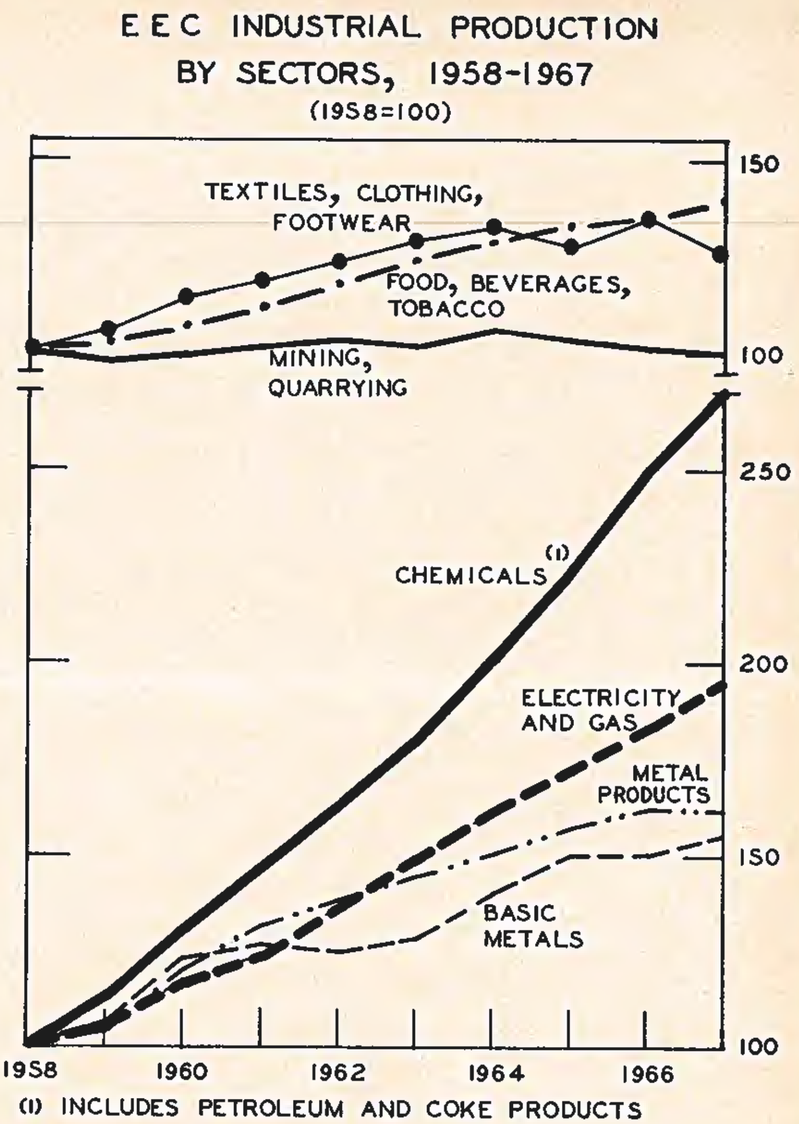
Although many factors have worked towards the economic transformation and evolution of the Six, the process has also had its difficulties. It would indeed seem inevitable that a profound innovation like the formation of the European Common Market, which is expected to lead eventually to political fusion, should clash with and be retarded by conditions and interests rooted in the history of the region. Apart from purely political considerations and the reluctance of some governments to relinquish authority over certain areas of common concern, several endemic strictures have hampered a more rapid change in the economic setup of the EEC. Foremost among these are the shortage of capital accentuated by the under-development of the money market, the relatively small size of enterprises in many sectors, and the often antiquated infrastructure.

In recent years a fairly general shortage of labor, which has made it necessary to bring in more than half a million workers from neighboring countries, has been an additional element tending to limit the development of the EEC. At the same time, however, the depletion of manpower reserves has made the EEC countries realize that their further economic growth depends on "a sustained effort to introduce new and less costly processes and techniques or new and more profitable goods".* In effect, the continuing shortage of labor should be seen as a useful incentive for the further evolution of the EEC economic structure.

Notwithstanding the crises and difficulties encountered along the way, the EEC has made tremendous progress towards the formation of one prosperous economic unit and this process has inevitably been accompanied by a far-reaching transforma-

The Obstacles to Scientific and Technological Progress in the European Community, memorandum by the Executives of the European Communities.

CHART II

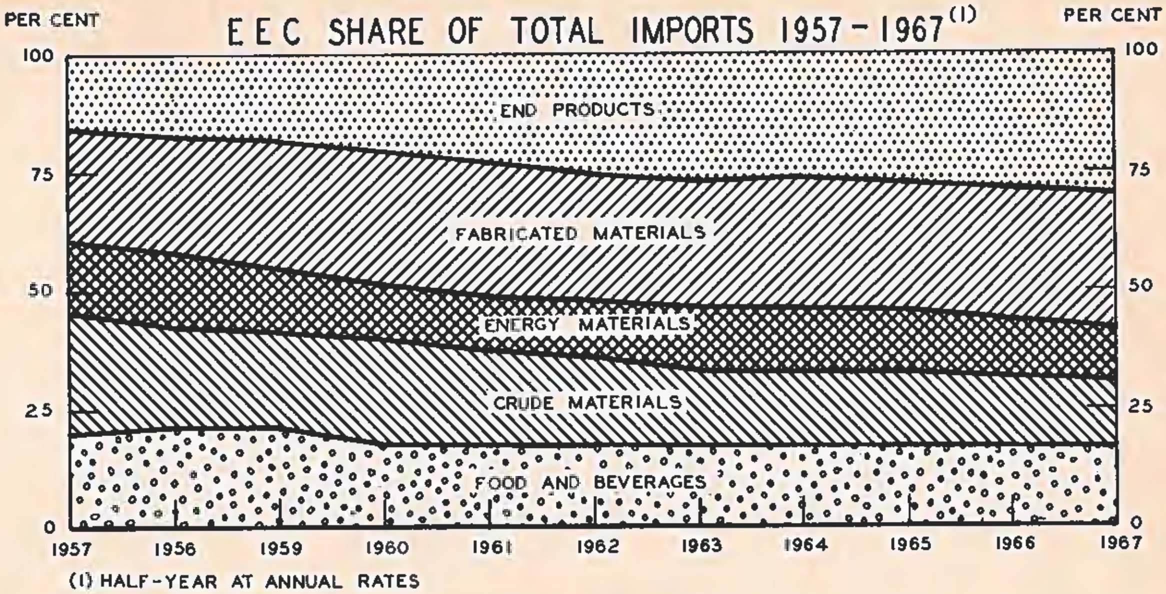


The chart shows trends in the volume of output by major sectors of industry in EEC countries.

ORIGIN OF GROSS DOMESTIC PRODUCT

		Agriculture Fishing Forestry Mining	Manufacturing Construction Electricity and gas	Services	Total
			(billions of U.S. dollars)		
1958		19.8	69.9	67.7	157.4
	% of total	12.6	44.4	43.0	100.0
1962		23.0	105.6	101.9	230.5
	% of total	10.0	45.8	44.2	100.0
1966		26.3	147.2	148.6	322.1
	% of total	8.2	45.7	46.1	100.0

CHART III



EEC imports from non-member countries of finished and semi-finished industrial products have risen faster than those of other commodity groups.

tion of the existing economic structure. The following paragraphs give statistical evidence of some of the more significant changes.

Growth in GNP

Let us first look at the most comprehensive measure of economic activity, the gross national product. The GNP has risen in the past ten years by about 58 per cent in the EEC, compared with 50 per cent in the United States and 32 per cent in Britain. The current market value of goods and services produced in the Six has more than doubled in the same period, reaching U.S.$332 billion in 1967. This figure puts the EEC in second place, after the United States, in terms of total GNP. The gap in wealth between the U.S. and the EEC is still, however, very wide. The EEC, with a population of approximately 186 million people in 1967—or about 93 per cent of the U.S. population—had a total GNP corresponding to slightly to more than two-fifths of the American. As Chart I shows, all the EEC countries registered sizeable increases in their GNP, though in different degrees. The Netherlands and Italy advanced, on average, at the quickest pace and Belgium at the slowest. On a per capita basis, the GNP of France was the highest in 1967 (U.S.$2,129) and through most of the decade. That of Italy, despite the sharp rise, has remained consistently at the bottom (U.S.$1,242 in 1967).

A better indication of some of the basic changes within the EEC is perhaps the breakdown by industry of origin of the Community's gross product in some representative years (see table on page 4).

It is evident that in the EEC, as in most progressive economies, the primary sector in a broad sense has been losing ground to manufacturing and services, with the latter recording the most conspicuous growth.

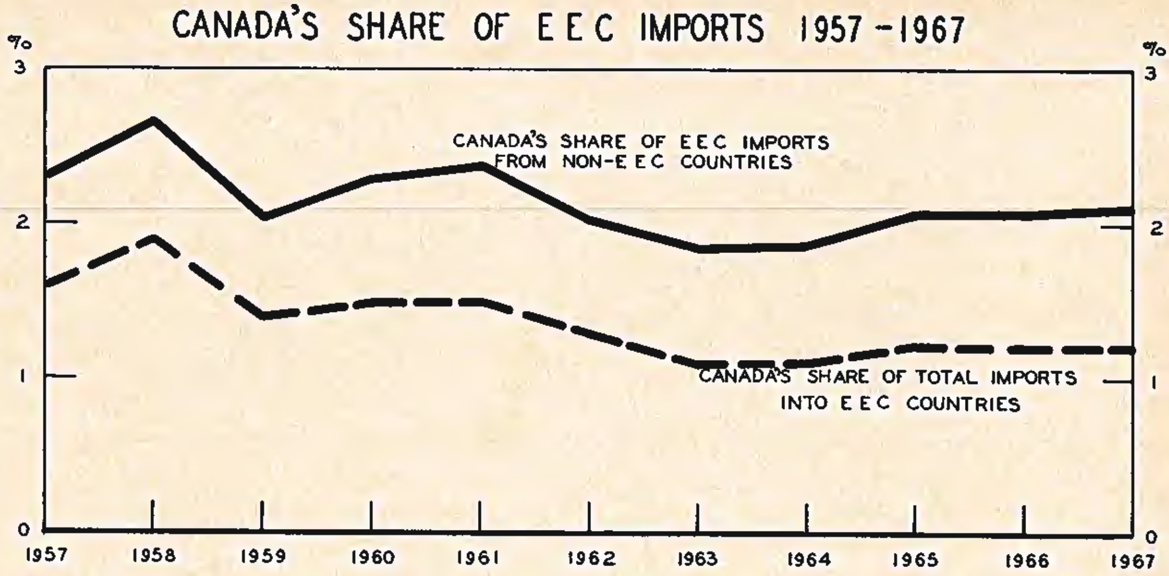
Industry Outpaces Agriculture

According to recent EEC statistics, the volume index of agricultural output for 1965/66 was 129, taking the years 1956/57 as equal to 100. The increase in agricultural production was about 40 per cent in France but appreciably less in the other five countries. In contrast, the industrial production index of the EEC, based on 1958=100, had risen to 171 in the first half of 1967; industry therefore expanded much faster than agriculture. In industrial production, however, the rate of growth varied substantially from one country to another. In relation to the base year, 1958, the index of industrial production for each EEC country in the first half of 1967 was as follows: Italy 228, Netherlands 189, France 161, Germany 157, Belgium 156, Luxembourg 122.

Many factors are responsible for the wide differences among the Six in the rate of growth of industrial production. The degree of industrial development already attained by 1958 had certainly a strong influence on the shaping of later developments. However, two other factors appear to have played a key role: one, the development of new industries, and two, changes in the location of industrial plants. It is impossible in this article to deal adequately with these two points. In fact, they cannot be considered simply as the manifestation of change, because they must also be counted among the major causes of the industrial transformation.

Chart II gives a general idea of the rates of growth attained in broad sectors of industry. Clearly some of the more traditional industries, such as textiles, steel and coal, have either remained unchanged in size or expanded relatively little. On the other hand, other industrial sectors, such as the mechanical, chemical, petrochemical

CHART IV



Canada's share of the EEC import market has declined over the long term and remained virtually level in recent years.

and the production of gas and electricity, have expanded rapidly and now constitute a much larger share of total industrial production. It follows that those countries like the Netherlands and Italy which have been able to direct a larger part of the new investment into growth industries have shown a faster rate of development.

Locating Industrial Plants

Linked with the emergence of new branches of industry is the acceptance of new criteria about the location of industrial plants. The principal criterion of industrial location used to be the effect of distance and transportation on costs. Industrial plants, particularly in heavy industry, were thus located close to the sources of raw material and energy. Now transport and distance play a less important role and are more and more in competition with other cost factors like labor, water, taxes, etc. In particular, energy as a determinant of plant location is not as limiting now as it was in the past. The much larger use of electricity, gas and oil has reduced the importance of coal. Consequently, areas like the Ruhr, the Saar and the Wallonie no longer offer the same degree of attraction for the location of new plants. Other regions, often at the periphery of the EEC area, now offer strong economic advantages for the establishment of industry. The iron and steel industry, for example, is already moving towards coastal sites and the petrochemical industry is largely located close to the sea. The discovery of large natural gas deposits beneath the North Sea is bringing about the transformation of underdeveloped regions of Germany and the Netherlands into industrial areas. Much the same could be said of the effect on peripheral areas of the discovery of natural gas in southwest France or of oil in Libya.

In conjunction with the purely economic factors drawing industry into new areas, these locations often provide special benefits under the regional development policies of national governments. The most relevant example is probably the industrial development of Southern Italy. Notwithstanding the effect of the new centrifugal forces, the inducements to locate plants near major centers of consumption will remain strong for various branches of industry. The Paris region, the lower Rhine basin, and the Torino-Milan-Genoa triangle are and are bound to remain for a long time the main industrial areas in the EEC.

Changes in Agriculture

A transformation as pervasive as that of industry, though in many respects quite different in motivation and results, has taken place in agriculture. Essentially, agriculture had to adjust to the new needs of a growing economy. In the EEC this meant primarily the restructuring of production units, with fewer but more viable forms manned by a smaller but better-equipped labor force. The result so far has been that a numerically smaller agricultural sector has been able to produce in greater quantity the goods which are now in demand.

Trade Pattern Alters

An area where the profound changes in the EEC economy have been fully reflected is merchandise trade. The extraordinary progress in removing trade barriers within the EEC, which should be completed by next July 1st for industrial goods, gave a tremendous impetus to intra-EEC trade. In 1967, the value of trade among the six countries reached U.S.$24.2 billion. This figure was more than 3½ times that for 1958 ($6.8 billion) and, remarkably, the increase in the volume of intra-EEC trade was almost as large.

Such a large expansion in the movement of goods among the Six was and remains a basic objective for the creation of EEC and it is a measure of the interpenetration and interdependence of the six economies. It may also be seen, however, as the result of the limited success achieved so far in increasing the mobility within the EEC of the factors of production.

At any rate, the rapid expansion of intra-EEC trade has had the effect of making the notable expansion of trade with other countries look rather modest. EEC exports to third countries were valued at U.S.$31.6 billion in 1967, or almost twice as much as in 1958. Imports (c.i.f.) from third countries in 1967 were valued at U.S.$30.8 billion, 90 per cent more than in 1958. These rates matched closely the average growth of trade in the non-Communist world during the same decade. In imports, it is interesting to observe that up to 1967 they have expanded closely in step with the growth of national income.

On the export side, the largest gains were made in shipments of machinery and transport equipment, chemical products, and manufactured goods in general. This, of course, reflects the increased industrial strength of the EEC.

Changes in the commodity composition of EEC imports from non-member countries are shown, by broad groupings, in Chart III. Imports of finished and semi-finished industrial products have risen fast and now form a much larger share of EEC imports. This is in part the result of the rapid rise in internal demand for these products, but in part is also due to the relatively more noticeable tariff reductions made in these sectors.

The changes that have occurred in the commodity makeup of EEC imports have inevitably affected the geographic pattern of these imports. Briefly, one can say that procurements from industrialized countries have expanded faster than purchases from raw-material-producing countries. Imports from tropical agricultural countries have, in particular, expanded less than average. Imports from Canada are analyzed in another article appearing in this issue of *Foreign Trade*. Here it may suffice to say that between 1957-58 and 1966-67 the c.i.f. value of imports from Canada has risen by 52 per cent. This increase was appreciably smaller than the average for imports from all non-EEC countries. Consequently, Canada's share of the EEC import market was smaller in 1967 than ten years earlier, despite some recovery since 1964.

The EEC as a Market

The European Communities, with a population almost as large as that of the U.S., had imports worth $30.7 billion from non-member states in 1966.

EUROPEAN DIVISION,
Office of Trade Relations

■ The European Economic Community is one of the world's fastest growing major economic areas and it has become the world's largest trader. An increasing population, rising prosperity and standards of living, with the accompanying larger purchasing power, make up a market which presents a real challenge to Canadian exporters. Not only does Europe offer a market for raw materials for its growing industries but Canadian exporters of manufactured goods also have increasing opportunities to penetrate this low-tariff market. This does not mean, however, that selling in this market will be easy. In a number of fields, such as automobiles and consumer white goods, the Community's own industries are among the most up-to-date and modern in the world. However, there is a wide range of industrial activity that lacks the most modern equipment and European businessmen are more and more turning to North American techniques in order to update their plant, equipment and production methods.

Tasks Remaining

Although great strides have been made already toward reorganizing production and marketing methods, much remains for Europeans to do in adapting to a multinational market. Vital factors like roads, railways, and canal systems are being examined and ambitious programs for extending present systems and building new ones are on the drawing boards. The EEC is seeking to establish a common transportation policy which will benefit all member countries, and if achievements during the first ten years of the EEC are any indication, great changes are ahead.

With the final removal on July 1 of the remaining customs tariff barriers between member states, other impediments to trade—such as tax procedures, standards and safety codes, food and drug laws, etc.—become relatively more troublesome. The goal of a common market by 1970 may not be realized if member states are reluctant to give up national sovereignty in these fields.

Countries Still Vary

With all the talk of a Common Market, Canadians should remember that the Netherlands is still Dutch and Italy is still Italian, with all the

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The EEC in Brief

(Figures are for 1966 unless otherwise stated)

	France	West Germany	Italy	Belgium	Netherlands	Luxembourg	Canada (comparison)
Area ... thousand sq. km.	551	249	301	31	34	2.6	9,976
Agricultural Land ... thousand sq. km.	342	141	204	17	23	1.4	629
Population							
total ... millions	49.4	59.6	52.0	9.5	12.5	0.3	20.1
natural increase, annual average 1956-66 ... per cent	1.2	1.2	0.7	0.7	1.4	0.9	2.2
net immigration/emigration, average 1961-66 ... thousands	+299	+284	−71	+26	+14	+2	+60
Gross National Product							
total, current prices ... U.S.$ million	101,870	119,620	61,490	18,190	20,770	550*	53,500
per capita, current prices ... U.S.$	2,060	2,010	1,180	1,910	1,670	1,700*	2,670
Private Consumption							
per capita, current prices ... U.S.$	1,310	1,140	750	1,240	960	1,030*	1,610
percentage of gross national product ... per cent	63.7	57.1	63.1	64.9	57.8	60.5*	60.5
Employment							
civilian ... millions	19.5	26.6	18.7	3.6	4.4	0.1	7.2
agriculture, percentage of total ... per cent	17.6	10.8	24.9	6.0	8.5	12.9	9.0
industry, percentage of total ... per cent	40.8	49.3	40.7	45.3	42.8	45.9	34.1
Imports							
total, c.i.f. ... U.S.$ million	11,884	18,023	8,571	7,171 (B.L.E.U.)	8,018	(See Belgium)	9,127**
percentage of gross national product ... per cent	11.7	15.1	13.9	38.0 (B.L.E.U.)	38.6	(See Belgium)	17.1
increase in volume, annual average 1961-66 ... per cent	11.9	10.8	9.8	11.4 (B.L.E.U.)	9.1	(See Belgium)	8.8
Imports from Canada							
f.o.b. 1967 ... Cdn.$ millions	81	178	141	101 (B.L.E.U.)	176	(See Belgium)	—
Exports to Canada							
f.o.b. 1967 ... Cdn.$ millions	130	257	110	65 (B.L.E.U.)	65	(See Belgium)	—

*1963 figures.
**f.o.b.
SOURCES: OECD Observer February 1968; DBS for Canadian exports and imports.

wide differences in consumer tastes and living habits that this suggests. In many ways, Italy still shows the individual characteristics of the states which joined together a hundred years ago. Moreover, the bulk of Italian industry is still located in the north although tremendous development efforts are being made in the south, Sicily and Sardinia. There are wide differences in the type of housing from country to country with all that this means in differences in the market for construction materials and for the goods and services which home-owners need. Shop prices for the same articles vary widely from one Community country to another, reflecting the different types and levels of indirect taxation, subsidy and profit margins.

Modern Equipment Needed

Canadian exporters of machinery and equipment should concentrate on demonstrating the advantages which their product has over less productive European items. In many product areas, if a Canadian manufacturer wins acceptance for his equipment in North America, he may also find a promising market in Europe. For some types of equipment, it may be possible to select a single firm in the Community to act as the principal agent, who then appoints sub-agents. In most instances it will continue to be necessary to select a number of agents in the different countries. It is important to evaluate carefully the effective area covered by a representative's organization, particularly if there is servicing involved. European businessmen are reluctant to purchase a foreign product for lack of prompt delivery of parts and adequate technical servicing. This cannot be over-emphasized.

Where it may be difficult to export finished products to the market, Canadian exporters should not overlook the potential market for components or for the licensing of knowhow.

Plentiful statistics are available from market research. Investigating the market for consumer goods, surveys have indicated that in France 48 per cent of the families interviewed owned cars against 20 per cent in Italy. Although Italy is the leading manufacturer in the EEC of domestic appliances, such as automatic washers and dryers, only 20 per cent of Italian families owned a washing machine. In all six countries, living standards have risen steadily.

EEC IMPORTS FROM NON-MEMBER STATES

	1965		1966	
Total imports	**U.S.$28,565 million**		**U.S.$30,707 million**	
By country of origin	**Rank**	**%**	**Rank**	**%**
United States	1	19.6	1	19.6
Britain	2	9.1	2	9.1
Sweden	3	4.6	3	4.5
Associated African States	5	4.0	4	4.3
Switzerland	4	4.0	5	4.1
Libya	10	2.3	6	2.5
Austria	6	2.5	7	2.3
U.S.S.R.	11	2.2	8	2.3
Argentina	7	2.4	9	2.3
Algeria	9	2.3	10	2.3
Kuwait	8	2.4	11	2.1
Canada	13	2.1	12	2.1
By commodity	**%**		**%**	
Coal, petroleum and derivatives	15.7		15.1	
Non-electric machinery	6.8		7.0	
Non-ferrous metals and semi-fabs	5.6		6.6	
Crude textile fibers	5.0		5.1	
Fruit and fruit products	4.7		4.6	
Grains and products	4.3		4.4	
Metallic ores and concentrates	4.5		4.0	
Wood and products	3.6		3.2	
Coffee, cocoa, tea and spices	3.2		3.1	
Electrical machinery	2.9		2.9	

Source: EEC Analytical Tables

Imports Should Increase

The Common Market's 1966 total imports of $31 billion should continue to increase. The recent upturn of business in several member countries, above all West Germany, is seen as an indication that imports from third countries will once again rise. Over the intermediate term, there seems to be no reason to anticipate change in the growth of trade which has characterized the Community since 1958. The pattern, however, has not been uniform from country to country. Both on the import and export side, Italy and Germany have widened their dealings at an above-average pace; for the other three (counting Belgium and Luxembourg as one), the growth was slower than for the Community as a whole. Germany alone (in 1966) accounted for 36 per cent of EEC imports from the outside world. In line with this, Germany was Canada's most important customer in the Common Market in 1967 with imports worth $177.9 million.

Dutch Plan Research Effort

■ In the Netherlands, 2.6 per cent of the GNP will be spent on research in 1968. The total comes to 2.1 billion guilders (Cdn.$630 million), of which the Government is spending 900 million and private industry and commerce 1.2 billion.

Six Netherlands companies will account for three-quarters of the private sector's effort. Philips, Shell, Unilever, AKU, Dutch State Mines and Royal Salt-Organon are tbe big spenders. Philips leads with a research staff of over 10,000. Sbell has between 2,500 and 3,000 doing research work in the Netherlands but this is only part of its worldwide researcb activities. The otber four companies each bave approximately 1,200 people engaged in researcb, according to Professor C. Bottcher, President of the Council for Scientific Policy in the Netherlands.

Creating the European Economic Communities

■ On July 1, the six member states of the European Economic Communities reached one of the main objectives set by the Treaty of Rome in 1957. They completed the formation of a customs union with the coming into effect of a single external tariff and the complete removal of internal customs duties. In addition, in the field of agriculture, where tariffs were by no means the only means of protection, they brought under a Common Agricultural Policy—based on common prices, common import and export regimes and Community financial support—all the main agricultural commodities entering into their trade. A vast market of over 185 million people was thus created in a little over ten years' time.

ECSC Came First

At the end of the Second World War the need for European unity gained wider recognition among leading European statesmen. The emergence on the European continent of conflicting political and economic ideologies was a real threat and to preserve free institutions and governments in Western Europe, unity among nations became imperative. The first of the steps taken in this direction was the creation of the European Coal and Steel Community in 1951 by Germany, France, Italy and the Benelux countries. It brought together under a single regime these two important economic sectors and constituted a realistic pilot project in the field of functional economic integration. The scope of ECSC, however, was strictly limited by the products it covered and in a sense it was turned to the past as much as to the future. One of the main preoccupations of the drafters of the Treaty was to ensure permanent international control over the German coal and steel industry and to try to settle the territorial dispute between France and Germany over the Sarre (Saar) region. These concerns had clearly been overtaken by the improvement in Franco-German relations and European stability when in 1955 the Six launched into the negotiation of the Rome Treaties.

The Rome Treaties

It was a much bolder enterprise because it encompassed all trade and major economic activities and its goal was eventual political unity. The Rome Treaties achieved their purpose by three types of measures. They first created a customs union among the Six by laying out a timetable specifying each move. A transition period of 12 years was provided and this has now been accelerated by a year and a half. For Euratom, a common market for nuclear materials and equipment was created overnight without a transition period. Second, the Rome Treaties established guidelines for the development of common policies for agriculture, transport, competition, labor, freedom of establishment, harmonization of legislation and economic policy, and so on. In so doing, the Treaties insured that integration would proceed beyond the stage of the customs union into a genuine Economic Community. Finally, the Treaties created a

The European Economic Community was born on March 25, 1957, when the Treaty of Rome was signed in the Italian capital. It was later ratified by the national parliaments of each country. Our photograph shows, seated at the table, the signatories for the Six.

carefully balanced set of institutions to implement the customs union and develop the policies it had outlined.

For the Future

Although the customs union of the Six is now in existence, much remains to be done to complete the creation of the Economic Community. The Common Agricultural Policy has received high priority, because it was essential for maintaining the balance between industrial and agricultural trade. Most other policies are still in the early stages of development but the process of integration has acquired a momentum of its own and in coming years will reach into most areas of economic activity.

This is throwing a heavy burden on the institutions of the Communities. They are not immune from political vicissitudes but ten years of experience have shown that, short of political catastrophe, they are viable institutions which have survived crises unimpaired. They were recently strengthened by the merger of the three European Executives. Further rationalization in the form of a merger of the three basic treaties is also envisaged. Because the Rome Treaties are of unlimited duration, the future of the European Communities seems to be assured.

On one vital aspect, however, it remains uncertain: that of their geographical extent. The Rome Treaties are open-ended in the sense that they provide for accession by other European states or for association. The original intent was not that of creating a closed Community in Europe. However applications for membership, of which Britain's is probably the most significant, have so far been unsuccessful. For accession to be possible, the unanimous consent of all member states is required and it has not been obtained.

There is little doubt that the issue will remain alive. It is also clear that, if the Communities are enlarged, they would undergo significant changes and might become an even more important market for Canadian goods.

—MICHEL DUPUY, *Deputy Head, Canadian Mission to the European Communities*

Rising in the center of the picture is the Berlaymont Building in Brussels, which will house the Commission, which supervises the day-to-day functioning of the three Communities: the Common Market, Euratom, and the Coal and Steel Community. An Executive Secretariat carries on its work.

These Are the Communities' Main Institutions

■ The Common Market, Euratom, and the Coal and Steel Community share the same institutional framework. It consists of the Commission, the Council of Ministers, the European Parliament, and the Court of Justice.

Commission—The Commission is the basic working body of the EEC. It supervises the day-to-day functioning of the Communities and executes the policies approved by the Council of Ministers. An Executive Secretariat and a large body of functionaries carry out the necessary research, documentation, and administration. Although policies are frequently initiated by the Commission, they must be submitted to the Council for approval. Currently the Commission itself has 14 members: three each from Italy, Germany, and France, two from Belgium and the Netherlands, and one from Luxembourg. Although the Commissioners are appointed by the member governments, they do not represent them directly but work in the interests of the EEC as a whole. Members of the Commission also represent the EEC at certain international negotiations such as the Kennedy Round.

Council of Ministers—The Council of Ministers is the only body whose members directly represent the interests of the six governments. A member government can propose policies for the EEC through its representative to the Council, and it is the Council that takes the final policy decisions. For major decisions, the Foreign Ministers are usually present. Weighted majority voting became the general rule in January 1966, but after a disagreement concerning financing of Community activities between France and the other member governments, an understanding was evolved that on issues which can be seen to affect the vital interests of a member country, the principle of unanimity will apply. For weighted majority voting, which is the basic principle of the Rome Treaties, France, Germany, and Italy have four votes each, Belgium and the Netherlands two each, and Luxembourg one. On Commission proposals, any 12 votes constitute a majority; in other circumstances, the 12 votes must include those of at least four countries.

The policy-making process of the EEC is thus based on the fundamental dialogue between the Commission and the Council of Ministers. The other two institutions have roles to play in the examination of these policies.

European Parliament—The European Parliament is a 142-member body composed of representatives of the legislatures of the member countries. The Rome Treaties envisage that members will ultimately be elected to the European Parliament by universal suffrage. If greater political union among the six member countries comes about eventually, the Parliament will almost inevitably become a more important body. At present it can propose changes in the Community budget and must be consulted before major policy decisions on Common Market and Euratom affairs are adopted. The Parliament can also oust the Commission by a motion of censure that requires a two thirds majority.

Court of Justice—The Court of Justice interprets whether acts of the Commission, the Council of Ministers, other agencies of the EEC, or member governments are compatible with the Treaties. Actions may be submitted to the Court by any of these as well as by firms and individuals. The Court's judgments may also be sought by the courts of member countries. There are seven judges on the Court, with at least one for each member country, and they decide by majority vote. Because the Court's decisions are binding, it has proved to be a highly effective instrument.

European Investment Bank—The Community has also established a number of financial institutions. One of these is the European Investment Bank, in which all members of the Community participate. It is intended to complement the activities of the existing banking structures in member countries and associated states. The Bank is capitalized at U.S.$1 billion, subscribed by member states; it extends loans and also on occasion takes equity participation in ventures. Its mandate charges it with taking an interest in projects in less developed regions, in projects for modernizing enterprises where these cannot be entirely financed by other means, and in projects of common interest to several member states. As of the end of 1967, the total of the Bank's investments and loans outstanding was U.S.$855 million. Italy, by a long way, is the member state which has attracted the greatest part of the Bank's funds. Amongst associated states, the amount of the Bank's investment in Greece exceeds the total of its investments in all other associated states combined.

European Social Fund—A second financial institution, the European Social Fund, was established by the Treaty of Rome to facilitate the geographical and occupational mobility of workers in the Community. The Fund is administered by the Commission, which responds to requests by member states.

Overseas Development Fund—Finally, the Overseas Development Fund was also established by the Rome Treaty and is administered by the Commission. Its funds are provided by member states and it has the general task of participating financially in any measure suitable for the promotion of social and economic development in the Community's associated overseas countries and territories.

Consultative Bodies—There are also several consultative bodies which are instrumental in the Community's work. The two main ones are the Economic and Social Committee and the Consultative Committee. Their members represent the interests of labor, consumers, employers, and other organizations. The Economic and Social Committee must be consulted on major issues affecting the Common Market and Euratom and the Consultative Committee performs a similar function for the Coal and Steel Community. In addition, there are a number of specialized agencies which advise the Communities on economic, transportation, labor, and scientific questions.

—J. K. B. KINSMAN, *Third Secretary, Canadian Mission to the European Communities.*

Glossary of Terms Used in EEC Treaty

Full Membership

Under Article 237 of the Rome Treaty "Any European state may apply to become a Member of the Community". Britain, Denmark, Norway and Ireland have applied for full membership.

Associate Membership

Article 238 stipulates that "The Community may conclude with a third country . . . agreements creating an association". Greece and Turkey are already associated under these provisions. It is under this Article also that the neutral European countries have submitted applications to the EEC—Switzerland, Sweden, Austria and Spain.

Common External Tariff

The CET or the CXT is the tariff which will be applied uniformly by the Six after July 1, 1968, to imports from all non-EEC countries.

The following terms are used in connection with the application of the EEC regulations under the Common Agricultural Policy.

Target Price

This is a domestic support price which is established to orient production and in relation to which support operations are determined. It is set for the principal deficit area.

Levies

Levies replace the duty for certain agricultural products and are based on the difference between the world market price c.i.f. Europe and the EEC price (fixed by the Council).

Export Rebates

Most CAP regulations provide for export payments to permit EEC producers to compete in world markets.

Safeguard Clauses

Should EEC markets be disrupted by imports, the Safeguard Clauses permit special protective action to be taken, subject to approval and to an appeal system within the Community.

Unit of Account

This is the name given to currency used in the EEC for duties expressed in specific amounts (as opposed to ad valorem). One unit of account is equal to one U.S. dollar.

The Common Agricultural Policy

Here is an explanation of the EEC's complex agricultural policy as worked out amid many problems and of the regulations on marketing agricultural products within the Community.

V. F. WIGHTMAN, *Second Secretary, Canadian Mission to the EEC.*

This Belgian farm worker is busy harvesting the string bean crop. CAP regulations governing the marketing of fruits and vegetables were adopted by the EEC in 1962.

■ Agriculture has proved the most difficult sector to negotiate during the ten years that the countries of the EEC have moved towards a Common Market. On three occasions agricultural problems led to a crisis in negotiations and in mid-1965 all progress within the Community and in the GATT trade negotiations was held up for several months until member countries could resolve the question of Community financing of the Common Agricultural Policy and related problems. However these problems were, over time, resolved; the Common Agricultural Policy is expected to be in force for all the main agricultural products on July 1st when the EEC customs union comes into effect. This parallel approach for both agriculture and industry has been necessary in view of the differing trade interests of the member countries.

The development of the Common Agricultural Policy (CAP) has not been as simple or automatic as steps towards the Common External Tariff because a much more ambitious plan was involved. There could be no thought of just removing tariff barriers in view of the varying degrees of productivity within the EEC countries and the extent and variety of government support programs in the late 1950's. In fact, Title II of the Rome Treaty 1957 recognized the special position of agriculture and called for the establishment of a Common Agricultural Policy with objectives oriented first towards the well-being of the agricultural sector (increases in agricultural productivity, ensuring a fair standard of living for the agricultural population, stabilizing markets) and second of the consumer (regular supplies and reasonable prices).

The Rome Treaty called for an agricultural conference of member states; this was held at Stresa in 1958 and laid the groundwork for the CAP as it has now emerged. In the intervening years, the EEC Council of Ministers, acting on the advice of the Commission, has adopted an extremely complex set of regulations which govern marketing within the Community and trade with outside countries.

The first important breakthrough came at the end of 1962 with the adoption of regulations pertaining to grains, pork, poultry and eggs, fruits and vegetables and wine. Other regulations have followed for dairy products, beef and veal, rice, oilseeds and sugar. At that point general measures covering some 90 per cent of agricultural production in the Community were approved but EEC Ministers still had to work towards common support prices and the means to finance support operations. The last main hurdle, temporarily surmounted at the end of May, was the Community price for milk which, as in any other temperate country, has considerable political impact. Arrangements for tobacco, fish, horticultural products, hops and wine have yet to be finalized.

Agriculture in the EEC

Despite the continuous movement of manpower into industry and services, agriculture still plays an important role in the EEC economy. It accounts on the average for 7 per cent of the gross national product and 15 per cent of the active population, with many more people in trade and processing who depend directly upon the sector.

The Community has a high level of self-sufficiency in farm products; even with year-to-year variations, it is generally in a net export position for wheat, dairy products, sugar and vegetables; the only substantial deficits are in coarse grains, beef and oilseeds. There is none the less a considerable movement of produce in and out of the Community in accordance with qualities and end-use; for instance, imports of hard and durum wheats as against exports of soft wheat. In the over-all, agricultural products (including tropical) account for about 17 per cent of EEC imports and 10 per cent of exports. For the Netherlands, Italy and France the export figure is considerably higher. The EEC is the world's largest importer of farm produce and the development of marketing and trade arrangements under the CAP has been closely watched by other countries such as Canada with an important stake in world agricultural trade.

CAP Cornerstones

The Common Agricultural Policy has the following cornerstones: (a) free movement of goods between member states; (b) a Community level of agricultural prices with Community-financed price support operations; (c) a common trade policy towards outside countries. For trade within the Community, the regulations adopted by the EEC Ministers contained transition measures whereby the individual markets of the Six could be gradually meshed and whereby intra-EEC levies on a declining scale were used to cushion the impact of freer trade. Beginning with July 1 of this year, trade in agricultural products within the EEC will take place under conditions prevailing in any domestic market. Earlier barriers to intra-Community trade such as tariffs, levies, quantitative restrictions, etc., will all have disappeared. Certain regulatory matters—such as plant and animal health requirements, taxation and other conditions of competition—have still to be resolved on a Community basis but considerable progress has been made. It may therefore be concluded that a new and integrated market in agricultural products has been created in Western Europe catering to the needs of 186 million consumers.

Market Organization

Market organization is based essentially on price. In other words, producers are expected to obtain returns from a Community-wide managed market rather than rely on guaranteed prices, state buying or subsidies. However, in a number of cases the market mechanisms are backed by support prices. In trade with third countries, a levy has replaced other forms of protection and is set at a level to bridge any difference between Community and outside prices. Proceeds from the levies are available to support the internal market and to provide export subsidies. The system contributes substantially to these expenditures although member countries still have to make up a deficit.

Each year the Council of Ministers establishes a target price (for field crops or milk), or a guide price (for beef and veal). This target price is, as the name implies, an aim for the Community in general. The working of the grains regulation offers a good example as it was among the first to be adopted and served as a basis for others. The target price for wheat is set at wholesale in terms of the main deficit area at Duisberg, Germany. The actual support price at which government agencies will buy in order to bolster the market is, on average, 7 per cent lower and represents the rock-bottom price in the market. To be meaningful, this price is extended to specified marketing centers, 38 in all, with due allowance for transport charges to Duisberg.

This marketing arrangement is made possible and financed by a variable levy on imports from third countries and this automatically makes up the difference between EEC and outside prices. The levy, which may change daily, is the difference between the lowest c.i.f. price of the foreign product and the threshold price of the Community. This latter is the dockside price derived from the Community target price—for example, in wheat the Duisberg price minus freight and handling to the port. It is 7 per cent above representative support prices and in effect represents the Community preference for its own growers.

An export refund permits higher-priced Community products to move on world markets. Originally, it was the equivalent of the import levy, but now the rate is set at whatever level is needed to permit export.

Some Variations Apparent

The same broad lines appear in the market organization of other products, but with variations in accordance with differing market requirements. For "processed products" such as pork, poultry and eggs, there is no Community-wide target price, but the market is protected by a minimum import price which takes into account the difference between world and Community prices for feeds and offers a 7 per cent preference for Community producers. A basic import levy is set quarterly and a supplementary levy is imposed on supplies offered at under the minimum price. The latter levies have been widely used for poultry. For beef and veal, there is a Community guide price which, when adjusted to an entry point, corresponds with the minimum import price. A levy may be used to ensure this minimum in accordance with its relationship to the domestic market. Market support measures may also be taken.

For the dairy industry, there is a target price for milk and threshold prices for a wide range of dairy products which are backed by import levies in the same manner as the grains regulation. In addition, there are support operations for butter, subsidies on skimmed milk and powder for animal feed, and grants for certain types of cheese (including cheddar) and for skimmed milk processed into casein.

The fats and oils sector is somewhat different because the EEC produces only 5 to 10 per cent of its requirements (other than olive oil which has separate arrangements). Here Community production (mainly rapeseed and sunflower) is protected by a deficiency payment at the time of processing which represents the difference between the Community target and the world price. The Community system for sugar, which comes into effect in July, comprises a target price for refined sugar, support prices and threshold prices. The sugar regulation is the first to introduce a limit on the quantity of production which will receive support and involves quotas among member countries and among sugar refineries. The original marketing arrangements for fruits and vegetables were limited to protection by tariffs and quality standards. For imports from non-members, a reference price is applied which acts as a minimum import price, below which offers attract a levy. Support measures are authorized for certain fruits and vegetables.

As the foregoing shows, there is the same general approach in all these marketing arrangements. This involves a target price backed by a minimum import price or a roughly comparable threshold price, a levy and an export rebate. This may be supplemented by internal support buying. Revenue from the levies is used to offset partially the cost of export subsidies and domestic support operations. (The financial arm of the CAP is covered in the article on page 17.)

Despite the vicissitudes during its formative years, the CAP has so far proved adaptable and appears able to meet the immediate needs of EEC agriculture. However, action has been mainly directed to the mechanics of marketing and price support. There is growing awareness of the longer-term problems facing the Community, such as adjustment of supply to demand and in particular the surplus of dairy products and of wheat (as against the deficit in feedgrains); the problem of farm income; the need to raise agricultural productivity and improve the structure of farms and marketing, and the cost of agricultural support. Gains in productivity invariably result in higher output, and the Community may be brought to a consideration of price relationships to influence the pattern of agricultural output. At the same time, it is increasingly recognized that price measures alone will not solve the problems of the agricultural sector and that current modernization and consolidation must be accelerated if agriculture is to offer returns anywhere near those derived from industry and services.

The formation and operation of the CAP has been directed to meeting the internal Community objectives for agriculture. It recognizes the existing high domestic support levels and the protectionist policies of the member states. In applying a common policy, the Community has introduced a number of techniques, such as compensatory payments and export subsidies, which act to reduce access to internal markets and move excess production into international markets. These techniques are of concern to all countries, including Canada, which have an important stake in world agricultural trade.

Financing the Common Agricultural Policy

G. F. MINTENKO, *Counsellor, Canadian Mission to the EEC.*

Correction

In the listing of steamship lines operating between Canada and Antwerp that appeared in the April 27, 1968, number of "Foreign Trade", the Trans-Atlantic Lakes Line was incorrectly listed as a non-Conference Line. It is a member line of the Canadian Continental Eastbound Freight Conference. Inadvertently, the Arctic Steamship Line, Bellstar Line, Erickson Reefer Line, Eurolakes Tanker Line and Federal Atlantic Lakes Line were listed as members of the Conference. They are non-Conference shipping lines. The Transportation Division of the Department, which prepared the listing, regrets any inconvenience that this error may have caused.

Export subsidies, agricultural price support and, to a large extent, structural improvements are paid for by the Community as a whole. The author describes how the money is raised.

■ Readers of the previous article on the Community's Common Agricultural Policy will have noted the clear and substantial financial implications. The Council of Ministers recognized this early in 1962 when it set up the European Agricultural Guidance and Guarantee Fund (EAGGF).

The Fund is divided into two sections. The Guarantee Section reimburses member countries of the Community for the cost of supporting farm product prices at intervention levels and providing rebates or subsidies on the export of agricultural products to countries outside the Community. The Guidance Section provides funds for approved projects for structural improvements, such as drainage schemes, land consolidation programs, and so on.

What the Guarantee Section Does— So far, the Guarantee Section's expenditures have been much larger than those of the Guidance Section and have increased very rapidly. This is because, over the years, the range of agricultural products covered by a common regulation—and thus by the EAGGF—has expanded. In 1962, regulations were established for grains, pigmeat, poultry, eggs, fruits and vegetables, and wine. Beef and veal, dairy products, and rice were added to these in 1963, and vegetable oils and sugar in 1966.

The portion of the expenditure for price support and export subsidies for which the Fund reimburses national governments has increased progressively from one-sixth in 1962/63 to 100 per cent at present. The extension of EAGGF's activities has also altered the pattern of disbursement of Fund monies to member states. Tables I and II make this point clear.

France, with its substantial grain exports, was by far the largest beneficiary in the Fund's first years. This changed as other products came within the area of the EAGGF's activities.

Role of the Guidance Section—The disbursements of the Guidance (or Structures) Section have been considerably less than those of the Guarantee Section. Italy and Germany are the countries which have profited most from the Fund's support of structural improvements programs. This shows up plainly in the percentage distribution of commitments (see Tables III and IV).

TABLE I

WHAT THE GUARANTEE SECTION SPENT

Period	*Export Rebates*	*Market Support Operations*	*Total*
	(U.S.$ million)		
1962/63	22	7	29
1963/64	42	9	51
1964/65	141	22	163
1965/66	192	44	236
1966/67	225	142	367
1967/68*	750	550	1,300
	to	to	to
	850	650	1,500

*Estimates

TABLE II

CHANGING SHARES OF GUARANTEE FUND DISBURSEMENTS

Period	*Germany*	*France*	*Italy*	*Netherlands*	*Belgium*	*Luxembourg*
			(in per cent)			
1962/63	6.2	85.2	4.5	3.0	1.1	0.01
1963/64	5.2	89.6	1.4	3.0	0.8	0.01
1964/65	5.5	74.9	3.2	15.2	1.2	0.01
1965/66	6.8	60.0	2.0	26.9	4.4	0.01
1966/67	7.4	41.6	26.0	20.2	4.8	0.03
1967/68*	10	40	22	15	6	0.05
	to	to	to	to	to	
	13	43	25	17	8	

* Estimates

TABLE III

COMMITMENTS BY THE GUIDANCE SECTION

Period	*Funds legally available*	*Commitments*
	(U.S.$ million)	
1962/63	9.06	9.06
1963/64	16.62	17.14
1964/65	54.3	41.5
1965/66	80.0	25.2
1966/67	149.0	n.a.
1967/68	285.0	n.a.

TABLE IV

WHERE GUIDANCE SECTION COMMITMENTS WENT

Period	*Italy*	*Germany*	*France*	*Netherlands*	*Belgium*	*Luxembourg*
				(in per cent)		
1962/63	33.9	28.1	21.6	8.6	7.8	—
1963/64	34.2	29	21.6	9.2	4.4	1.6
1964/65	33.1	27.9	21.4	7.6	7.9	2.1
1965/66	33.5	27.5	21	7.5	7.5	0.6
	to	to	to	to	to	
	34	28	21.5	8	8	

Where EAGGF Gets Its Funds—The two sections of the EAGGF are provided with funds in different ways. The Guarantee Section has two sources of funds. The first is 90 per cent of the import levies collected by member states on agricultural products coming in from outside the Community. This generally provides roughly half of the annual budget. The remainder is supplied directly by the member states in the proportions laid down by the Council of Ministers: Germany 31.2 per cent, France 32 per cent, Italy 20.3 per cent, Netherlands 8.2 per cent, Belgium 8.1 per cent, and Luxembourg 0.2 per cent.

The Guidance Section obtains its entire budget from member states in accordance with the above proportions. These proportions are valid until the end of 1969 (that is, through the transition period). The method of financing the Fund after that will be a matter for decision by the Council of Ministers.

Beneficiaries and Contributors—Although the Community does not, of course, consciously favor the agriculture of some member states over others, differences in the pattern and volume of agricultural output inevitably mean that some countries benefit from the Fund more than others. Comparing disbursements and receipts, France has been the principal net beneficiary and Germany the main contributor. The Netherlands has been a net beneficiary and Belgium-Luxembourg a net contributor.

During the earlier years, Italy was a net contributor to the Guarantee Section of the Fund but now its growing exports of olive oil and fruits and vegetables have made it a net beneficiary.

Policy for the Future—The Guarantee Section's expenditure has shown a marked tendency to rise, particularly in recent years (see Table I). Unofficially, expenditure is expected to rise from U.S.$1.4 billion in 1967-68 to U.S.$1.9 billion in 1968-69. Expenditures for structural improvements by the Guidance Section have also risen, but less dramatically.

There are many within the Community who consider that the cost of the Common Agricultural Policy is not excessive when viewed in relation to the Community's GNP or the improved economic situation of Community producers. Others are disturbed by the rapid growth of expenditures by the Guarantee Section and suggest that the time may come soon when the Community should shift some of the emphasis from price support to structural reform programs. The dialogue between the two groups is only really beginning to develop. The outcome, in terms of policies in the agricultural field, will probably not become evident for some time yet.

Agreements of Association with the EEC

By virtue of article 238 of the Treaty of Rome, the Community may conclude agreements of association with third countries. Since the creation of the Common Market, two countries, Greece and Turkey, have concluded such agreements with the Six. Other countries in Europe and North Africa have applied for association.

YVON JAURON, *First Secretary, Canadian Mission to the EEC.*

Greece

The association agreement concluded between Greece and the Community came into effect on November 1, 1962. This agreement provides, during a transition period of 12 years (up to 22 years for certain Greek exports) for the gradual elimination of customs duties and quantitative restrictions between Greece and the Community and the adoption by Greece of the Common External Tariff (CET). During the transition period, free circulation of persons, capital and services and the harmonization of trade and agricultural policies must be assured. At the end of this period, the contracting parties must examine the possibility of Greece becoming a member of the Community. Finally, by virtue of the agreement signed in 1961, the Community grants to Greece loans amounting to $125 million over a period of five years for the accelerated development of its economy. At mid-year 1967, Greece had received loans totalling $70 million.

Following events in Greece in April 1967, the Community, feeling that conditions for the smooth operation of the association agreement were no longer present, decided to limit the scope of the agreement to existing commitments. Although the association agreement with Greece remains in effect, the negotiations aimed at harmonizing agricultural policies have been suspended and the financial protocol, which expired last October 30, has not been renewed. The effect of this last measure was to freeze $55 million not allocated to Greece under the financial protocol.

In accordance with the association agreement, the Six abolished on January 1 of this year their customs duties on imports of raw tobacco and tobacco waste from Greece, and Greece imposed against imports of these products from third countries the rates of duty listed in CET. This measure, commercial in nature, is important since exports of raw tobacco represent 35 per cent of Greek sales to the Community.

Turkey

The agreement associating Turkey with the EEC came into effect on December 1, 1964. Under this agreement, an economic union between the Six and Turkey is to be carried out in three phases: a preparatory phase of five years (which could be extended to nine years), followed by a transition phase of 12 years at the end of which the customs union will be achieved, and a final phase not yet worked out in detail which will lead to Turkey's membership in the Community. At the end of these three phases, Turkey must have achieved a level of economic development enabling it to become a member of the Community. During the preparatory phase, the Community will contribute to the development of Turkey's economy by granting duty-free quotas for tobacco, grapes, figs and nuts, exports of which represent 40 per cent of Turkey's external trade. In addition, through the European Investment Bank, the Community will grant Turkey loans amounting to $175 million for the financing of development projects. Now, three years after the effective date of the agreement, the amount of loans approved has reached $103 million.

The EEC-Turkey Association Council must determine this fall whether the preparatory period will be extended or whether, taking into account Turkey's economic situation, the transition period can begin in December 1969.

Applications for Association

Several countries have expressed during recent years their wish to be associated with the European Economic Community in one way or another.

Israel

The Community has already concluded a trade agreement with Israel (May 1964). In the fall of 1966, Israel requested that negotiations be opened for its association with the Community. A few months later, the Commission submitted to the Council a report in which it expressed itself in favor of this association. Due to the political events in the Middle East since June 1967, negotiations with Israel on the terms of an agreement (preferential or association) have made little progress. In addition, the sale of some Israeli products on Community markets, such as citrus fruits, must be worked out, according to certain member countries, in the general framework of the Mediterranean basin.

The Maghreb Countries

When the Treaty of Rome was signed, Tunisia and Morocco, which had just gained their independence, continued to benefit from preferential access to the French market by virtue of a protocol appended to the Treaty. Moroccan and Tunisian exports to other member countries of the Community remained subject to the national tariffs.

On the basis of an initial partial mandate adopted by the Council in June 1965, negotiations began in Brussels with a view to reaching an agreement in accordance with the terms of the declaration of intention attached to the Treaty. It became apparent that negotiations could not be gainfully pursued without new directives from the Council.

Last fall, the Commission received a new mandate from the Council allowing the resumption of negotiations. It appears that they are moving towards the conclusion of a preferential agreement of limited scope, pending a general study by the Community of the terms of access to EEC markets for certain agricultural products (fruits and vegetables, olive oil, etc.) exported by Tunisia and Morocco as well as other Mediterranean countries with which it is contemplating special trade relations.

On the effective date of the Treaty of Rome, Algeria was part of the French Republic. When it achieved independence, the Community arrangement was partially maintained for the benefit of Algeria. In France, Algerian products are generally admitted duty-free with the exception of wines, which are subject to duties at one eighth of the Common External Tariff. Since 1966, the other member countries of the Community have applied to Algerian products differing tariff and quota treatments.

As the details of a mandate for the opening of negotiations with Algeria are now being studied, the Commission recently submitted to member countries proposals regarding the treatment which could be extended to imports from Algeria after July 1, 1968, effective date of the customs union. Algerian products, Community sales of which are absorbed mostly by France (80 per cent), would continue to receive preferential treatment in the French market. The solutions recommended by the Commission concern, on the one hand, agricultural products other than wine (citrus fruits, dates, tomatoes, etc.); it proposes that the other five member countries reduce by 50 per cent the CET duties for these products.

For wines, Germany and tbe Benelux countries (Italy does not import wine from Algeria) would reduce the Common External Tariff duties by one half. This reduction in the case of Germany would be limited to a quota of 113,000 hectoliters. Algerian wines would be sold in the Benelux countries without quantitative restrictions.

Spain

As early as February 1962, tbe Spanish Government indicated its desire to open negotiations with a view to defining the terms of future relations between Spain and the Community. Two years later, it renewed its application for the opening of talks. Preliminary discussions took place in November 1964 and in June 1966. In April 1967, the Council of Ministers agreed to open negotiations with Spain on the basis of a two-stage preferential trade agreement. However, this agreement was to contain no provisions for the automatic transition from phase one to phase two, both being scheduled to last six years.

In accordance with the mandate received by the Commission, meetings were held in Brussels in recent months. The Commission must now report to the Council on all problems relating to future economic and trade relations between the EEC and Spain and request a new mandate for the pursuit of negotiations.

Austria

As early as 1961, when negotiations got under way for Britain's admission to the Community, Austria, Sweden and Switzerland made overtures to explore the possibility of an eventual association agreement with the EEC.

Following the breakdown of negotiations with Britain in January 1963, talks with these countries were suspended. However, in March of that year, Austria, whose trade relations with the Community are important, requested that talks be resumed with a view to defining terms of association in accordance with the obligations involved in its neutral status. Official negotiations were opened in March 1965. During the latest phase of these negotiations, an agreement was reached on the application of a five-stage program covering a period of four years for tariff dismantlement in the industrial sector between the Community and Austria, as well as gradual harmonization of the CET and the Austrian tariff over a period of two years. Under the terms of its mandate, the Commission submitted to the Council in March 1967 a report on problems relating to the establishment of a preferential area for industrial products and on problems raised by trade in agricultural products. New directives from the Council could make possible the continuation of negotiations.

The Associated African Countries

The Yaoundé Convention, an agreement of association between the EEC and 18 African states signed in 1963, comes up for renewal this year. Nigeria has signed a special agreement and negotiations for one with the East African countries are proceeding.

YVON JAURON, *First Secretary, Canadian Mission to the EEC.*

■ In accordance with the provisions of the Treaty of Rome, the non-European countries maintaining particular relations with member countries were associated with the European Economic Community as soon as the Treaty came into effect. A convention appended to the Treaty established the terms of association for an initial five-year period. Even before the end of this period, several associated African countries had achieved independence. The Community then offered to negotiate a new agreement of association with these emerging nations on an equal basis. All of the associated countries except Guinea accepted the Community's proposal.

The new convention signed at Yaoundé on July 20, 1963, came into force on June 1, 1964, for a five-year period. The following countries adhered to the Yaoundé Convention: Burundi, the Cameroon, the Central African Republic, Chad, Congo-Brazzaville, Congo-Kinshasa, Dahomey, Gabon, the Ivory Coast, the Malagasy Republic, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Togo and the Upper Volta.

Under the terms of the Convention, the products originating in the Associated African and Malagasy States (EAMA), with the exception of agricultural products similar to those of the Community, benefited from the tariff reductions which the member states accorded to each other. Since July 1, the effective date of the customs union among the Six, products of the associated countries, with a few exceptions, enter the Community duty-free. Reciprocally, most of the African countries have reduced by 15 per cent each year their customs duties on imports from the Six. Since last year, they have in addition practically abolished quantitative restrictions on imports from the Six. However, if there are serious disturbances in a sector of its economic activity or if its stability is seriously threatened, an associated country may levy customs duties, returns from which are destined to finance industrialization projects or to boost the budget.

Development Assistance

The European Development Fund, established in 1958, is the instrument of financial and technical co-operation between the Community and the associated countries. With a view to promoting the economic and social development of the latter, the Six have allocated contributions under EDF financing of $730 million for the duration of the Convention. Of this amount, $620 million is in the form of grant-aid assistance. At the end of 1967, the commitments of the Fund for the financing of economic and social infrastructure projects, technical assistance or advance payments for controlling the prices of

Signing the original Yaounde Convention on December 20, 1962, are (left to right) Italy's Minister of Industry and Commerce, the representative of the Republic of Senegal, and the Secretary General of the EEC Council of Ministers. This was followed by a new convention that came into force on January 1, 1964.

tropical products amounted to $508 million.

The Convention provides for institutions representing the 24 signatory countries; these are the Association Council, the Association Commission, the Parliamentary Conference, the Arbitration Court of the Association.

Nigeria and East Africa

In a declaration of intent enunciated prior to the signing of the Convention, the Community invited African countries whose economies were comparable to those of the EAMA from the standpoint of structure and production to establish trade relations with it, either by adhering to the Yaoundé Convention or by signing a special agreement of association. That same year, Nigeria expressed the desire to be associated with the Community and signed a three-year agreement in July 1966, which is not yet in force. This agreement provides for the duty-free entry into the Community of Nigerian products, except certain vegetable oils and plywood for which the Community established duty-free quotas. For its part, Nigeria gives preferential treatment to 26 Community products. Under the agreement, Nigeria may maintain certain restrictions on imports from the Community when these are deemed necessary for budgetary reasons or for the protection of infant industries. The agreement negotiated with Nigeria does not include provisions for financial or technical assistance.

Only the Governments of Nigeria and the Netherlands have so far formally ratified the agreement. Since ratification procedures have hardly begun in certain other member countries, the entry into force of the Lagos agreement will probably be chiefly symbolic because Nigeria must negotiate a new agreement with the Community before July 1969.

In February 1964, the East African countries (Kenya, Uganda and Tanzania) initiated preliminary talks with the Six for the purpose of establishing trade relations on the basis of the declaration of intent made at Yaoundé. During the following months, the Commission obtained from the Council a mandate to open negotiations for an agreement based on principles drawn from the Lagos agreement. The talks made little progress at first due to the difficulty of defining reciprocal rights and obligations, particularly in the field of trade. Negotiations are now proceeding in Brussels and could lead to the signing of an agreement before the end of the year.

Renewal of the Convention

Under the terms of the Yaoundé Convention, the contracting parties must examine, one year before its expiry, the provisions which might be made for its renewal.

In this connection, the Commission has just submitted to the Council a communication in which it develops certain considerations relating to the renewal of the Convention. The Commission's considerations are expressed in a context characterized on the one hand by the relations envisaged for Nigeria and the East African countries and on the other hand, by the prospects for the enlargement of the European Economic Community. The realization of a single association comprising the 18 EAMA countries, the East African countries and Nigeria is a desirable objective in the eyes of the Commission, but it deems that such an expanded association does not fit in with present realities and possibilities. In the Commission's opinion, the agreements planned for Nigeria and the East African countries should cover a period coinciding with the term of the renewed Convention with the EAMA countries in order to facilitate the eventual creation of a single association.

Negotiations among the 24 countries which signed the Yaoundé Convention have just opened in Kinshasa. It can already be assumed that the provisions which will eventually be adopted in the new Convention will be largely based on those of the Yaoundé Convention.

Full implementation of Customs Union among the EEC countries compels a re-examination of our trade relations with the Six.

Canada's Trade Relations with the EEC

EUROPEAN DIVISION,
Office of Trade Relations.

■ With the coming into force of the Common External Tariff on July 1, 1968, and the continuing economic integration of the six European countries (France, Germany, Italy, Belgium, Luxembourg and the Netherlands), trade relations between Canada and this region have become more complex. In addition to having direct Trade Agreement relations with Canada, each of the Six is a founding member of the General Agreement on Tariffs and Trade and each is thereby committed to granting most-favored-nation treatment to imports from Canada. At the same time, Canada recognizes that the Six have delegated certain national powers to their regional organizations. The first transfer of authority occurred under the Treaty establishing the European Coal and Steel Community and additional authority later was granted under the Rome Treaty establishing the European Economic Community and the European Atomic Energy Community. In the Kennedy Round, as in the earlier Dillon Round, the countries of the Community negotiated the Common External Tariff as a unit, and tariff commitments arising from these negotiations are between the EEC and the other GATT members.

Last year the executives of these three Communities were merged into

All internal EEC tariffs have been abolished; goods move freely among the Six.

one body, the European Commission, which in turn is responsible to the Council of Ministers of the Six. Recognizing the authority of this organization, Canada has been maintaining diplomatic representation with the European Commission through our Mission in Brussels, the headquarters of the Community. The Canadian Government is thereby able to communicate with the Community on matters of interest which arises from common decisions of the Six. Thus, while not foregoing our trade relations with the individual member states, we seek to cope with the transfer of authority to the new regional organization by developing trade relations with the latter.

Common External Tariff

On July 1, 1968, a common tariff replaced the individual tariffs of the member states against non-EEC countries and simultaneously all tariff barriers between the members were eliminated—a customs union was achieved. The proposed rates of duty of this Common External Tariff were drawn up by the Community after extensive discussions among the member states. Following agreement on a common tariff, the EEC and other GATT members held several rounds of tariff negotiations prior to the common tariff becoming operative. It is thus an entirely new tariff schedule which comes into force this year for the Six. An outline of new rates of duty is given in the box.

Special Arrangements

By its nature, a Common Market of these important European countries could not come into being without giving rise to the need for adjustments in relations with other countries in the world. Through multilateral negotiations, every effort has been made to secure reductions in the common tariff with a view to encouraging expansion of over-all trade and minimizing the effects of the increasing competitiveness within the Market itself. In addition to immediate adjustment to the fact of the Common Market, Canadians must adjust to the trading structure being created through the association of other countries with the EEC. Greek negotiations with the EEC have resulted in an agreement whereby

FINAL EEC TARIFF RATES ON SELECTED PRODUCTS

The data summarized below show tbe range of final rates applicable to selected groups of items in the new tariff

Product Grouping	*Final Common External Tariff of the EEC (range of rates)*
Fisb and fisb products	5% to 25%
Lumber and wood products	Free to 13%
Pulp and paper There is a duty-free quota of 625,000 metric tons for newsprint and one of 1,935,000 metric tons for pulp.	3% to 15%
Textiles and textile articles For a specified number of items, final rate is conditional on the coming into force of the long-term agreement for cotton textiles, and its validity is linked to the life of the agreement (three years).	2.5% to 24%
Chemicals The final rates indicated in this group are conditional on abolition by the U.S. of its "American Selling Price". Otherwise, instead of the 50% reduction reflected in the final CET above, the original common tariff will be reduced by 20% for the majority of items, 30% for a certain number, or 35% for a few.	1% to 12.5%
Iron and steel in primary form	Free to 5%
Steel mill products	4% to 9%
Non-ferrous metals in ingot form	Free to 9%
Non-ferrous metal semifabs	2.5% to 12%
Non-metallic minerals and products	Free to 15.5%
Machinery	
Construction	3.5% to 11%
Pulp and paper	4.5% to 5.5%
Textile	4% to 6%
Metals and woodworking	2.5% to 6.5%
Office machines	4% to 10.5%
Others	5% to 12.5%
Radio and electrical equipment and scientific apparatus	
Consumer electric products and radio equipment	5.5% to 14%
Heavy electrical equipment and motors	4% to 10%
Wire and cable	11%
Scientific apparatus	5% to 6.5%
Other manufactures of metal	5% to 13%
Manufactures of leather, rubber, plastics	3.5% to 11.5%
Processed foods and non-alcoholic beverages*	Free to 27%
Alcobolic beverages	
Whisky	$0.70 U.S. per degree per hectoliter
Certain agricultural products*	Free to 23%

*The CET rates are applicable to those products whicb are not subject to the Common Agricultural Policy under whicb import levies have replaced ad valorem duties.

Greece was granted an extended period in which tariffs are to be gradually lowered until all duties are eliminated in 1984. Meanwhile the EEC has granted large credits to assist development of the Greek economy. Similarly, Turkey has made an association agreement with the EEC. Preferential arrangements have been made by a large number of African countries with which the individual EEC member states had formerly maintained close relations.

The above-mentioned arrangements are preferential in nature and therefore give products of these countries advantages over Canadian products. Trade agreements made by the EEC, such as those with Israel, Lebanon and Iran, provide for quotas for certain products. We must also take account of the possibility that further changes may come about by the association of Britain and other European countries with the EEC.

Common Agricultural Policy

A special aspect of the formation of the European Economic Community is the development by the Six of a Common Agricultural Policy. The decisions already taken or being taken to stimulate and improve the farm sector, largely by price-support techniques, may have far-reaching effects on the trading patterns with countries such as Canada, which have had traditional markets in Europe for a large volume of agricultural products. Actions taken by the Commission in this sector will require to be examined closely and, insofar as they affect Canadian trade, will be the subject of representations to the EEC direct or will be raised in the GATT or other international organizations dealing with problems of world trade.

The influence of the Community on world trading patterns will undoubtedly be far-reaching as common policies are slowly developed on matters such as relations with the state-trading countries, export subsidies, anti-dumping, special relations with the less developed countries, and commodity agreements.

In this new situation the European Commission will act for the Six in matters dealing with trade problems with non-EEC countries. Certain areas, however—such as rules and regulations concerning sales taxes, certain standards, health regulations, etc.—will remain under the control of the individual member countries for a further period until common rules are established.

EEC Tariffs

The new tariff of the Common Market will be available from the EEC offices in Brussels in the languages of the Community: French, German, Italian and Dutch. It is based on the widely-accepted nomenclature developed in Brussels by the Customs Co-operation Council in the 1950's which describes products in fairly fine detail. Similarly, trade statistics in Common Market countries are based on this nomenclature. At the present time, in addition to national statistics, the EEC publishes complete Community statistics of imports and exports.

As a result of recent tariff conferences under the General Agreement on Tariffs and Trade, large sectors of this new EEC tariff have been negotiated and reductions in rates have been made. These will be brought into force over the next few years. However, because of the fact that this new tariff started out by being an arithmetical average of the tariffs of the individual member countries, some of the new rates will not show large reductions below the level in certain previous national tariffs.

The extensive reductions negotiated by the EEC in the new GATT schedule will be implemented in several stages. Under the Kennedy Round agreements, the EEC is obligated to put 40 per cent of its total reduction into effect on July 1, 1968. For Canadian exporters who are interested in securing a list of the major EEC tariff reductions of interest to Canada, the Department of Trade and Commerce will supply on request copies of the list published in *Foreign Trade* of July 1, 1967. This indicates the final EEC rate and the volume of EEC imports from Canada in 1964 on selected items.

Following the European practice, the EEC rates of duty are levied on the c.i.f. price of imports at European port of entry. This situation also applies to shipments made by air freight.

Trade and Commerce Holds EEC Conference

■ On June 28 and 29, 1968, as part of its program to exploit the trade potential of the European Economic Community, Trade and Commerce convened a conference in Brussels of senior officials of the Department and Trade Commissioners from each of its eight EEC posts.

The over-all conference objective was to maximize the Department's effectiveness in assisting Canadian business to sell in EEC countries. Specific objectives were to assess (1) the promotion prospects offered by the unified Common Market, (2) the impediments which still exist for Canadian exporters, (3) the effectiveness of Canadian trade policy and promotion strategy in the EEC, and (4) the suitability of the structure of the Department's existing organization both in the EEC and in Ottawa.

The timing was appropriate. July 1st marked the full implementation of the EEC Common External Tariff and the elimination of tariff barriers between the member countries. Moreover, just one year had passed since Operation Export when Trade Commissioners from all over the world, including the EEC countries, visited Canada for discussions with the Canadian business community.

The conference Chairman, J. H. Warren, Deputy Minister of Trade and Commerce, addressing the conference remarked that the EEC is of prime importance to Canada as a developing market for secondary manufactured goods.

Trade and Commerce must maintain flexible policies, programs and organizational structure to adapt to changing market conditions. These changing market conditions require each Trade Commissioner to be even more sensitive to shifting market demand. Accurate marketing information is a requirement for successful long-term sales. Mr. Warren also said that the Department's EEC posts have developed a high degree of skill in providing both marketing information and promotional initiative and he was confident that they would maintain the calibre of service to the Canadian business community under the new ground rules.

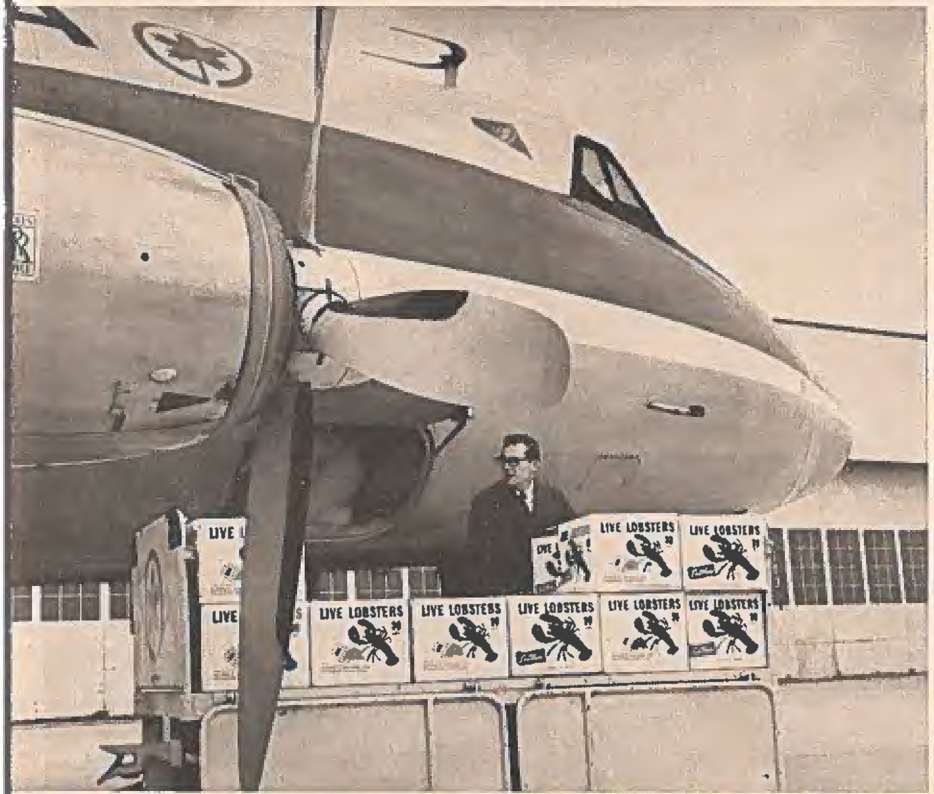
B.L.E.U. - - Challenges and Opportunities

New trading environment may affect some Canadian sales temporarily, though many commodities will still enter duty-free. Initiative and imagination will be needed to grasp opportunities.

CLAUDE T. CHARLAND, *Commercial Counsellor, Brussels.*

■ The completion of the customs union under the Treaty of Rome has particular significance for Belgium since it marks the culmination of more than fifty years of progressive economic integration, during which it has pursued the expansion of an increasingly freer international trading environment. Belgium's first experience with regional groupings was gained through the Belgo-Luxembourg Economic Union (B.L.E.U.) which was concluded in 1921. Under its terms, the two countries agreed to form a single customs union free of internal tariff barriers, jointly negotiate commercial treaties with third countries, pool their foreign currency holdings, and combine their foreign trade statistics. Agreement to widen this area of economic union by inclusion of the Netherlands was reached in 1944. The subsequent Belgo-Luxembourg-Netherlands Customs Union and Common Tariff (BENELUX), whereby customs duties were to be abolished on movement of goods between the three countries and levied at identical rates on their imports from other countries, came into force in 1948. A Treaty of Economic Union was signed in 1958 to bring about full economic union between the three Benelux countries.

As a result of this long and steady process of economic integration, Belgium and Luxembourg have been able to establish a strong industrial base, with economies ranking among the most efficient and outward-looking in the world. Belgium is, per capita, the world's largest exporter and exports have always played a major role in its economic development. In essence, Belgium must find outlets for more than 40 per cent of its gross national product and 70 per cent of its industrial production. It is also the world's greatest importer on a per capita basis and must import raw materials and capital goods for the industries which produce its chief exports. It follows that a large number of commodities are traded both ways and figure among both principal exports and imports.



These live lobsters being loaded aboard an aircraft at Yarmouth, Nova Scotia, are destined for the Belgian market. The Belgian consumer can often afford luxuries like gourmet foods, but he insists upon high quality products and continuous supply.

Economic Situation

It will be obvious from the foregoing that an economy so heavily dependent on foreign trade is particularly sensitive to world economic trends and is adversely affected by any decline in foreign demand. This economic interdependence and vulnerability to external factors are exemplified by B.L.E.U.'s recent economic performance. For instance, there is little doubt that one of the main reasons for the slow and erratic growth which has prevailed since 1964 has been the weakening in demand for exports in some of B.L.E.U.'s chief markets, particularly West Germany and the Netherlands, which normally take close to 50 per cent of its total exports.

Although Belgium has resisted fairly well the recessionary tendencies in several key West European markets, its gross national product expanded by only a little over 2 per cent in 1967 and only a vigorous and sustained upswing will ensure a rate above 3 per cent for 1968. These figures compare with 2.7 per cent in 1966, 3.5 per cent in 1965, and 5.5 per cent for the boom period of 1962/64. Internally, the economy has been stagnating, aggregate demand and industrial production are lagging, and the efforts of the Government to stimulate private investment have still to bear fruit.

However, there are definite indications of an end to the three-year slowdown and resumption of a forward movement. A number of interrelated factors are expected to contribute to this upward trend. Among these are improved economic conditions in B.L.E.U.'s main trading partners, a revival of industrial activity which was already evident in the first quarter of 1968, a more liquid money market, and increased capital

Doing Business in B.L.E.U.

■ Belgium and Luxembourg form a densely populated and highly industrialized territory with a purchasing power far out of proportion to the small area. B.L.E.U. now imports some $7 billion annually and is, in fact, the world's greatest importer on a per capita basis, with $775 per inhabitant compared with $310 for Germany and $267 for France.

Appointment of Agents—The form of local representation most useful to a Canadian company selling in this area will depend on the product to be sold. Although agents based in Belgium often make their acceptance of a particular product subject to coverage of the Grand Duchy as well, there is a definite advantage in appointing a separate agent for Luxembourg. Belgium is divided into two linguistic zones and in some instances it may be advisable to appoint agents in areas outside Brussels—for example, Antwerp, Liège, Charleroi or Ghent. In short, each product has to be considered on its merits.

Marketing Methods—These vary with the product. Exporters of consumer goods or foodstuffs can often sell directly to department stores (see the article entitled "A Look at Belgium's Department Stores" which appeared in the April 27, 1968, issue of *Foreign Trade*). The normal practice, however, is to sell consumer products through a distributor carrying stocks and employing salesmen to visit retailers. Capital equipment is normally sold through manufacturers' agents. Licensing arrangements and joint ventures are also useful techniques for manufacturers attempting to establish themselves in the market and unable to compete in direct sales. Status information should always be obtained before entering into any firm arrangement.

Correspondence and Brochures—Correspondence and sales literature should be in the following languages:

Belgium

Flemish (Dutch) or English is spoken in the provinces of West Flanders, East Flanders, Antwerp, Limburg and Brabant (northern half).

French is spoken in the provinces of Brabant (southern half), Liège, Hainault, Namur and the Belgian Province of Luxembourg.

French or Flemish is spoken in Brussels.

Grand Duchy of Luxembourg

French or German is spoken.

Trade Fairs—The Brussels International Trade Fair is held each year about the middle of April and is one of the most important events of its kind in the Benelux countries. In addition, a number of specialized trade fairs are held throughout the year and provide a useful vehicle for trade promotion. Details about these can be obtained from the Trade Fairs Abroad Division in Ottawa.

Samples—Small quantities of samples of no commercial value, or those made unfit for commercial use, may be brought in duty-free. Samples with commercial value may be imported into Belgium on payment of a deposit in lieu of customs duties and taxes, provided the collection of samples is composed of different articles and not more than one of any given kind or type. This deposit is refunded when the samples are re-exported.

Credit Terms—Irrevocable letter of credit terms are not popular among Belgian importers. Cash against documents is normal practice for initial transactions.

Price Quotations—Prices should be quoted c.i.f. Antwerp and the metric system should be used.

Advertising—To be effective, advertising in Belgium must not ignore the important language question and for that reason the services of a qualified advertising firm are necessary. Several local and international agencies are located in Brussels and their names can be provided on request.

Patents and Trademarks—Both Belgium and Luxembourg adhere to the International Convention for the Protection of Industrial Property. Manufacturers who intend to sell goods highly specialized in nature should patent their inventions and register their trademarks. Details about how to proceed can be obtained from the Commercial Section in Brussels.

Personal Visits—Although the initial study of market opportunities can be undertaken locally, the establishment of buying or agency connections warrant a personal visit to the territory. Visitors should avoid the months of July and August. In advance of coming to Brussels, they should notify the office of the Commercial Counsellor, who will be pleased to assist in arranging the necessary business appointments.

—CLAUDE T. CHARLAND,
Commercial Counsellor, Brussels.

expenditures by domestic and foreign business.

B.L.E.U.'s Foreign Trade

Belgium and Luxembourg now sell to Common Market members almost two-thirds of their total exports; the figure for 1958, when the Common Market was established, was 45 per cent. Although B.L.E.U.'s exports to Germany (down 3.1 per cent) and the Netherlands (down 0.7 per cent) declined in 1967, sales to France (up 13 per cent) and Italy (up 25 per cent) rose substantially. These shifts were largely offsetting, since total sales to Common Market countries rose by about 3.3 per cent and over-all exports by 3 per cent over 1966.

On the import side, Belgium now buys 56 per cent of its overseas requirements from Common Market countries as opposed to 47 per cent in 1958, and the main suppliers in recent years have been Germany (21 per cent), the Netherlands and France (15 per cent each), the United States (8 per cent) and Britain (7 per cent). During 1967, however, there was a considerable drop in purchases of capital goods which was partly offset by an appreciable increase in imports of agricultural and food products. The volume of over-all purchases from abroad remained static and of all traditional suppliers, Italy showed the best relative growth. Canadian sales reflected this downward trend and declined to $100.8 million in 1967 from $117 million in 1966 and an all-time high of $128 million in 1965.

New Environment

The dynamic and dramatic changes which have taken place in Western Europe during the last decade present Canadian exporters with stimulating challenges and exciting opportunities. A variety of adjustments will undoubtedly be needed in the course of adapting to changing trade patterns and intensified competitive pressures. Both the nature and the extent of these adjustments will depend largely on how the delicate balance between trade-creating and trade-diverting effects resulting from European economic integration is finally achieved. While there is every expectation that the inclusion of B.L.E.U. in a larger trading unit will continue to lead to greater prosperity and to a greater demand for imports, Canadian exporters will require a great deal of initiative and imagination if they are to take full advantage of the opportunities offered by the new European environment.

It should be borne in mind that for Canada, as for other non-EEC members, the terms of access to the Belgian and Luxembourg markets will not be as favorable initially in some respects as they were before the formation of the EEC. This is because the entire tariff structure of the Benelux countries was then relatively lower than that of their Common Market partners. As a result, the final alignment of the national tariffs with the Common External Tariff involves a number of upward adjustments which reflect these disparities and will temporarily affect some commodities traditionally exported from Canada to B.L.E.U., such as salmon, aluminum in primary forms, plywood, copper products and a number of manufactures. However, this deterioration is only provisional and will eventually be offset by the implementation of the tariff concessions negotiated under the Kennedy Round.

It should be added that a good portion of other goods will continue to enjoy freedom from duties as they do at present. These include flaxseed, asbestos, ores and concentrates, sulphur, various non-metallic minerals, most types of lumber, plastic and synthetic rubber. There is also the fact that some Canadian exports which constitute a significant share of B.L.E.U.'s total imports are in a special supply position by virtue of quality or exclusiveness. This applies particularly to agricultural products which complement or supplement domestic supplies.

MAIN IMPORTS INTO B.L.E.U. 1966/67

Commodity	*Value* 1966	1967
	('000 million francs)	
Cereals and products	11.04	12.25
Fruit, vegetables and products	7.72	7.80
Coffee, cocoa, tea, spices and manufactures	4.08	4.72
Metalliferous ores and scrap	12.05	11.45
Mineral fuels	28.05	30.83
Chemicals	24.81	27.37
Rubber and manufactures	4.12	3.95
Wood, cork and manufactures	5.56	5.74
Pulp, paper, etc., and manufactures	8.76	8.93
Textile fibers and manufactures, inc. clothing and footwear	40.52	36.26
Non-metallic minerat manufactures	4.35	4.53
Precious metals and jewellery	19.17	18.32
Base metals and manufactures	50.96	49.44
of which		
iron and steel manufactures	17.46	18.83
copper and manufactures	20.50	18.71
Machinery, non electric	35.74	37.07
Electric machinery and appliances	13.42	12.77
Transport equipment	37.30	33.92
of which		
road vehicles and tractors	34.24	29.30
Scientific instruments, etc.	5.81	6.17
Total including other items	**358.70**	**358.80**

Source: The Economist Intelligence Unit Quarterly Economic Review—Belgium/-Luxembourg No. 2, 1968.

B.L.E.U.'S MAIN SUPPLIERS 1966/67

Trading Partner	*Imports* 1966	1967
	(% of total value)	
West Germany	20.4	21.2
France	15.9	14.8
Netherlands	15.0	15.1
United States	8.1	8.2
Britain	7.5	7.0
Congo	4.4	3.5
Italy	4.2	4.5
EEC Countries	55.5	55.6
EFTA Countries	12.5	12.4

Source: Institut National de Statistique OECD Foreign Trade Statistics.

Challenges and Opportunities

In adapting to the changing realities of the Belgo-Luxembourg market, Canadian exporters will not only have to maintain the high quality of those products for which they have an established reputation, but insist on high quality in the production of new ones which may find their place on this market. They will also have to familiarize themselves with the nature of demand for new commodities that is developing in Western Europe as a result of higher consumer incomes. Demand creation through distinctive labelling and aggressive advertising will be an important factor in introducing new products. Above all, once Canadian exporters have created a demand for certain products, they must be in a position to guarantee a high standard of quality and a continuous supply.

B.L.E.U. imported some $7 billion worth of goods in 1967, representing products ranging from raw materials and foodstuffs to highly sophisticated equipment. The high standard of living that prevails in both Belgium and Luxembourg has also engendered a keen appetite for high quality and specialty foods.

Products which seem to have good growth potential for Canadian exporters were reviewed in detail in the November 11, 1967, issue of *Foreign Trade*. In addition to providing a reliable outlet for industrial materials, B.L.E.U. constitutes an important market for processed and manufactured products. Where direct shipments cannot meet local competition, Canadian manufacturers may consider entering into licensing agreements and having their products distributed to other EEC markets. The Brussels office can help locate potential licensees and assist in the preliminary stages of negotiation.

In summary, B.L.E.U. has been and will continue to be an important trading partner for Canada. With an improved economic performance expected in 1968, the Belgian propensity to import should increase sharply, thus creating further export opportunities for Canadian suppliers. However, competition from third countries will be keen and a determined promotion effort will be required. Canadian exporters interested in establishing themselves in this important market are invited to write to the office of the Commercial Counsellor, who will be pleased to investigate prospects for their products and suggest an appropriate course of action.

Selling in the Netherlands

Compact, conservative, competitive—that's the Dutch market. Canadians who want to sell there need good agents, good advertising, and a good product that meets Dutch needs or caters to Dutch tastes.

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

■ In 1958, the year following that in which the EEC Treaty was signed in Rome, Netherlands imports from member countries represented 42 per cent of its total foreign purchases. By 1967 this figure had increased to 54.5 per cent. Although Canada's share of total Dutch trade declined during that period because of substantially smaller shipments of wheat and oilseeds, which were particularly large in 1958, Canadian shipments to the Netherlands increased from $74.7 million in 1958 to $176.4 million in 1967, an average rise of 13.6 per cent per annum. Netherlands purchases of Canadian manufactured goods have gone up steadily during these ten years and this upward trend may be expected to continue for some time. Consequently, Canadian producers not now doing business in the Netherlands should make an effort to secure a market here. In doing so, they should consider the following points carefully.

Competition

The Netherlands has traditionally been a low-duty country in comparison with its neighbors. Therefore since 1958 Dutch duties have generally risen to meet the EEC levels. Apart from the fact that goods from EEC sources will enter the country duty-free as from July 1, 1968, the Netherlands is a highly competitive market for Canadian suppliers. Italy in particular has become a very keen competitor in durable household goods. This has forced local and German manufacturers to lower their prices and to use more Italian components in their products. In addition, Japanese competition must also be taken into account.

Sole Representation

Although the Netherlands, with 12.7 million inhabitants, is the most populated country in the world, it covers only 13,000 square miles. All cities are within easy reach and consequently the country is much too small for more than one representative. It is therefore essential that only one agent be appointed or that sales be made to only one importer. Naturally, this does not apply to producers who manufacture two or more lines which are sold to entirely different categories of consumers.

Agent or Importer

For products that are sold mainly to large consumers, such as wholesalers, department stores and chainstore organizations, it is preferable to work through an agent, who will usually insist on being appointed for a trial period of at least one year and who will sell on commission. For products which are sold to the smaller retailers, the services of an importer/distributor are normally required, a firm which buys for its own account. It is essential, however, to have a Dutch representative. Problems can and will arise when selling through an agent who does not live in the Netherlands.

Publicity

A great many products are advertised regularly in newspapers and trade publications, on radio and television, and in the cinemas, particularly by local and EEC suppliers of household goods, foodstuffs, textiles, foundation garments, carpeting, furniture, detergents and pharmaceuticals. Many shopkeepers will only buy

The Netherlands holds a strategic position as a gateway to the other EEC countries and provides excellent transportation services. This is the new $120 million Schiphol International Airport, which can handle the biggest aircraft and can be expanded.

those products that are regularly advertised. Consequently, agents and importers will often ask their suppliers to bear a certain percentage of publicity costs.

An effective means of publicity is to exhibit at trade fairs, the most important of which are held in Utrecht and Amsterdam. There are also smaller and specialized fairs and the Hague office will gladly supply information on dates and rates to interested firms.

Licensing and Branch Plants

Since the existence of the Common Market, many foreign companies have, in order to maintain themselves in the EEC, concluded licensing agreements with Netherlands firms or established branch plants here.

One of the main considerations in establishing a factory in the Netherlands is that this country occupies a special position in the EEC. Contrary to its continentally oriented partner countries, activities in the Netherlands are, as a result of its geographical position and its strong dependence on foreign trade, highly concentrated on doing business with overseas countries. The Netherlands has excellent connections by water and overland with its EEC partners. Furthermore, the Dutch are the most multilingual people on the Continent, which makes it much easier to sell to the entire European market from the Netherlands.

This has prompted some Canadian manufacturers to establish branch factories and Canadian producers of wood pulp, building hardware and windows hold a financial interest in Netherlands companies. Complete and detailed documentation on the establishment of branch plants is provided by the Netherlands Ministry of Economic Affairs and the Netherlands banks. The Hague office will be pleased to obtain this for interested Canadian companies.

Warehousing and Distribution

Rotterdam, the largest and busiest port in the world, and Amsterdam are the main distribution centers in the Netherlands. Several Canadian firms have set up warehousing, servicing and forwarding facilities in Rotterdam to cover the European market. For bulk products as well as for manufactured and semi-manufactured products, Rotterdam is the major transshipment and storage center. Distribution of consumer and allied goods is handled equally by the two ports. In 1967 general cargo handled in Rotterdam amounted to 20 million tons and in Amsterdam to 3.9 million.

The Netherlands has an excellent network of internal transport services by rail, road and water for distribution purposes. The international airport, Schiphol, is just outside Amsterdam and therefore goods shipped from Canada by air freight normally move through the country via Amsterdam.

Models and Styles

A word of caution: the fact that certain Canadian products are popular in Canada or in some EEC countries certainly does not mean that an outlet can automatically be found for them in the Netherlands. The Dutch are rather conservative and will often stick to traditional models and styles. An example is stainless steel pots and pans. This office has found that, although Canadian cooking ware is of excellent appearance and quality, no importer is interested, simply because the items have one "handle" instead of two "ears".

On the other hand, there is a market for products which, although quite unknown in the Netherlands, present definite advantages over traditional lines. This is illustrated by the fact that, during the past twelve months, several new Canadian manufactures have been sold. These include acoustical ceiling panels, louvred doors, plastic folding chairs and aluminum lampshades. Camping has become very popular in the Netherlands during the past five years and it has been possible to sell Canadian barbecues here for the first time. There is also a demand for Canadian papermakers' felts, kraft liner and machine-coated printing paper and, if competitive prices can be quoted, a good volume of business could result.

The Common External Tariff of the EEC will not make it easier for Canadian suppliers to penetrate the Dutch market. However, the difficulties engendered by this development can in many instances be overcome by Canadian exporters who are willing and able to guarantee availability, service and quality. These factors help greatly in overcoming price differences. The Netherlands is an open market, with practically no import restrictions, and it deserves the full attention of those Canadian companies that wish to extend their export operations and are not afraid of competition.

Specialties Sell in West Germany

Germany is buying more and more from its EEC partners but Canadian goods which offer something unique can find a market there.

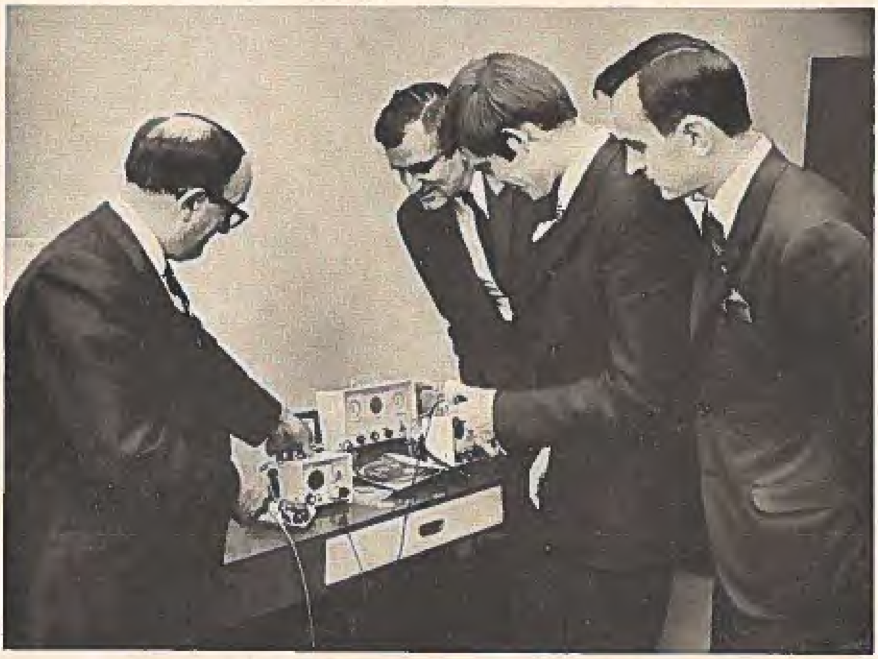
R. R. PARLOUR, *Commercial Counsellor, Bad Godesberg.*

■ Over the past decade, while the European Economic Community has been taking form, the German economy has grown and changed rapidly. The German market of today is a far cry from that of ten years ago. The population has risen from 54 to 60 million, the GNP from $67 billion to $131 billion, total exports from $10 billion to $24 billion, and total imports from $8.4 billion to $19 billion.

Structural Changes

German foreign trade has increased by some 127 per cent during this period and shows significant structural changes, reflecting the development of the European Common Market. Some 38 per cent of Germany's total trade is now carried on with its five EEC partners, compared with only 26 per cent in 1958. Trade with North America now accounts for about 14 per cent of German imports and 10 per cent of exports, down from 17 and 11 per cent respectively in 1958. Canada supplied only 1.4 per cent of German imports last year as against 3 per cent in 1958.

At this juncture, the German economy is still vigorous and flourishing after a long period of sustained growth, although the recession of 1966/67 showed that the German "economic miracle" is not proof against occasional corrections. Last year, for the first time in the decade, the GNP failed to show any significant growth. Exports increased but imports, manufacturing, employment and investment all turned downwards. For 1968 most indicators are pointing upwards again. The economic picture is much brighter. Officials expect a rise of some 5 per cent in the GNP this year, and both imports and exports are displaying strong growth.



Maurice Settler, president of Hargrave Applied Research Corp., Winnipeg (left) demonstrates to a potential German agent (third from left) his blood pressure, heart and pulse monitor. Looking on are (right) M. Stolarik, Commodity Officer with Trade and Commerce, and (third from right) R. R. Parlour, Commercial Counsellor.

A Selective Market

The general tone of the German market can be described as buoyant but increasingly specialized and selective. The long period of full employment and rising incomes has given the German consumer a high standard of living and rising expectations. He wants larger houses, more central heating, more and larger domestic appliances, more leisure time, more travel, more stylish clothing, more luxury foods, more modern packaging. The labor shortage makes both industry and the consumer receptive to labor-saving devices and the assurance of after-sales service is of prime importance. The development of refrigeration promises a rapidly growing market for frozen foods.

The Canadian exporter should recognize, however, that Germany is a buyer's market. There is keen competition not only from an efficient and broadly based German domestic industry but from United States branch plants established there and from the five EEC partners whose goods now enter Germany duty-free. To the Canadian exporter, Germany is a market with a foreign language, a different system of measurement, different electric current, and a different pattern of industrial standards and consumer tastes. Canadian prices must meet the competition and deliveries must be fast and dependable. It follows that a standard manufactured product from Canada, whether for industry or for consumers, usually has difficulty in finding a buyer in Germany except at distress prices. On the other hand, there is an ever-growing demand for unique or highly specialized manufactured products from abroad. A mousetrap which really is better can still be sold there.

Where Opportunities Lie

Where, then, are the opportunities for Canadian exporters to be found in this prosperous, highly industrialized market? Our bread-and-butter exports of basic foodstuffs and industrial raw materials should continue to increase, in step with the growth of the German economy. In this category are copper, lead, zinc, nickel, aluminum and other ores, metals and minerals from Canadian mines; newsprint, lumber, wood pulp, plywood, veneers and paperboard from our forest industries; wheat, grains, seeds, meat, fish, dairy products, tobacco, hides and furs from our agricultural industries. These basic materials together accounted for some 80 per cent of Canada's $178 million exports to Germany last year.

But beyond these traditional items there are opportunities opening up for new products and the output of Canada's expanding and diversifying manufacturing industries. Apart from the bread-and-butter list, export opportunities for Canadian products can be found chiefly where inter-company relationships help to open doors, where Canadian products are new and unique, or where they cater to some of the newly developing areas of consumer and industrial demand.

Getting into the Market

To introduce standard industrial or consumer goods into Germany successfully in the face of severe competition often requires expenditure of time and money in organizing distribution and servicing on a scale that most Canadian exporters seem reluctant to undertake. Probably the best approach with many products of this sort is for the Canadian firm to set up a branch plant in Germany or to arrange for manufacture of the product there under licence. Recognizing this, a dozen Canadian firms (and over 450 United States firms) have started manufacturing facilities in Germany in recent years on the theory "If you can't lick 'em, join 'em". There are also unnumbered licensing arrangements whereby foreign firms, including some Canadian ones, allow their products to be manufactured in Germany by German firms.

Export Opportunities in Germany

Canadian exporters witb sometbing new or unique in these lines should be able to sell in Germany.

Food Specialties—Canned lobster, wbisky, fancy meats, frozen vegetables, canned and frozen fisb, canned cherries, canned wax beans, boney, health foods.

Automotive Parts and Accessories—Approaches througb Canadian affiliates of German auto companies can prove effective.

Hospital and Medical Equipment—Items of unique and special design.

Goods for Canadian Military Commissaries in Germany—Clothing, foods, sporting goods and general consumer products.

Air Conditioning and Refrigeration Equipment

Leisure Equipment—Unique recreational supplies and sporting goods for hockey, other winter sports, boating, archery, motoring, and hobbies; educational toys; fishing rods and tackle, and athletic equipment.

Vending Machines—The labor shortage makes these popular in Germany.

Clothing—Special or unique items such as fur garments, winter outerwear, industrial protective clothing, and children's wear.

Machinery—Highly specialized types such as high-energy metalworking and welding machinery, machine tools and accessories, and labor-saving construction machinery.

Graphics—Multicolor offset printing machines, advanced graphics machinery and equipment.

Computers—Small computers, computer software, punch cards.

Nuclear Equipment—Advanced radiation measuring and controlling devices, instruments for research or commercial application in the nuclear field.

Electronic Equipment — Specialized equipment in such fields as telecommunications, nuclear and space research, semi-conductors, industrial telemetry, microminiature systems, lasers, precision resistors, etc.

Natural Gas Equipment—Domestic heating equipment, pipeline maintenance equipment.

Environmental Test Equipment—Higb- and low-temperature test chambers, vibration equipment, equipment for simulation of various weather conditions, etc.

Specialized Packaging Machinery

Hotel and Restaurant Equipment

Specialized Vehicles—Snow-blowers, sweepers, polishers, small tractors, etc.

Building Materials — Prefabricated housing components of metal or wood, plywood, quality lumber in packages, acoustic tiles.

Special Defence Equipment and Components

Chemical Specialties—Food supplements, herbs, resin and pine oil, chemical derivatives from wood pulp production, acetate tow.

Furniture—Wood furniture of high style.

Oil and Meals—Edible oil, oilseed meal, fish meal.

Marketing Methods in Germany

A good agent or distributor is the key, but direct sales are possible.

ROBERT J. BUCHAN, *Assistant Commercial Secretary, Bad Godesberg.*

■ Germany, unlike most other European countries, does not have one dominant commercial center. The country's population and purchasing power are quite evenly distributed. There are three cities (Berlin, Hamburg and Munich) with a population exceeding one million and another nine with over 500,000. The Hanseatic city states of Hamburg and Bremen are the two leading import centers for bulk commodities, but an excellent inland water system makes it possible to transship bulk commodities from Antwerp and Rotterdam into the industrial heartland of Germany. Duisburg on the Rhine River is the largest inland port in the world. Frankfurt is the leading air freight center in Continental Europe, but nine other German cities boast international airports. Even the large German banks operate dual head offices—in Frankfurt and Duesseldorf.

Product Dictates Sales Method

In these circumstances, it is difficult for the Canadian exporter to choose the best single location for an importer or distributor. Once established in the market, he may wish to have five or six distributors or sub-distributors to cover the entire country. But at the outset it is usually easier to test and develop the market by concentrating support on one good agent or distributor. If the product is a basic foodstuff or a raw material, it is usually best to deal with one of the specialized importers of bulk commodities in Hamburg or Bremen. These importers normally import for their own account and have warehousing facilities. They also sell to wholesalers who have distribution networks covering the whole of Germany. Furthermore, they are familiar with the complex German laws and regulations relating to the import of some foodstuffs and can be invaluable in obtaining the required import licences.

Selling Industrial Products

Industrial goods are occasionally sold by foreign suppliers directly to their German customers, especially if the article is of considerable value. Otherwise a manufacturers' agent is required. The distributor or agent must be prepared to provide after-sales servicing and spare parts, if the sale is not to be lost to a Common Market competitor. The question of after-sales service cannot be overemphasized. Germany is a buyer's market and German purchasers demand service. This may mean that the Canadian exporter will have to provide his German agent with a supply of spare parts on consignment so that warranty guarantees can be honored.

Selling Consumer Goods

Consumer goods are either sold direct to the large department stores, chain stores or mail-order houses, or through a manufacturers' agent calling on wholesalers and smaller retail outlets. Germany's five largest department-store chains last year had a combined turnover of $2.7 billion. Detailed reports on how to approach these buying giants may be obtained free of charge from the Trade Commissioners in Germany. We can also supply reports on selling to the mail-order houses and textile and hardware buying co-operatives. Although these large German buyers prefer to buy direct rather than through agents, they do not encourage sampling in the initial stages. Top-quality descriptive literature with c.i.f. prices, European port, computed in Deutsche Marks are required if Canadian offers are to be seriously considered.

Trade Fairs Help

A German agent is essential for the sale of consumer goods to German wholesalers or smaller retailers. Although it is practically impossible for one agent to cover the entire German market adequately, an agent may exhibit his lines at German trade fairs where he can speak with customers from all parts of the country. German buyers are the most trade fair-conscious in the world and German trade fairs are perhaps the best in the world. There is a specialized vertical international trade fair in Germany held either annually or biannually for almost every conceivable commodity group. The annual number of exhibitors at German international trade fairs is now about 33,000—30 per cent of whom are non-German firms. Of the total of 33,000 exhibiting firms, 25,000 are manufacturers of consumer goods and 8,000 manufacturers of capital goods. German trade fairs offer the would-be Canadian exporter a wonderful opportunity to conduct a market survey and perhaps do some industrial exploration, as well as meet prospective agents and buyers. By visiting—or even better, participating in—an international trade fair, the Canadian exhibitor can glean much valuable information about consumer preferences, packaging, advertising techniques, etc. Although Germany has gone through a process of Americanization over the last twenty years, the market still retains many unique features. German consumer preferences often call for special product designs and promotion techniques.

Investing in Germany

One of the main reasons for the Americanization of Germany has been U.S. direct investment in the country since reconstruction. Over 450 manufacturing companies in Germany are now wholly owned or controlled by Americans and another 600 U.S.-owned firms are registered in Germany. These provide after-sales servicing for American products, or are active in finance, advertising, management consulting and other service industries. Relatively few Canadian firms (a dozen at last estimate) have established manufacturing subsidiaries or servicing organizations in Germany. Many Canadian exporting firms now find that their principal competition in Germany comes from U.-S.-owned manufacturing establishments within Germany, operating behind the tariff wall and geared to provide American-styled products with assured after-sales servicing.

If the Canadian manufacturer finds that the establishment of a European branch plant or servicing facility is too expensive and direct export is impossible for competitive reasons, licensing of his products for manufacture by a German firm may provide an alternative means of entering the market. Although licensing is a complex field and not always a remunerative method of approaching export business, it may offer some advantages. By fostering a closer working relationship and feeling of mutual trust between the Canadian and the foreign firm, it can lead eventually to the establishment of a joint venture in Germany, thus giving the Canadian firm manufacturing, servicing and marketing facilities inside the European Common Market.

Italians Buy Machinery That's Better

Competition from European countries is keen but Canadian equipment sells in Italy if it has special advantages and the right price.

C. E. RUFELDS, *Consul and Assistant Trade Commissioner, Milan.*

■ The Canadian company wanting to sell machinery and equipment in Italy has to face stiff competition from products made there or in the other EEC countries. Tariff barriers have to be overcome and price and delivery must be right. There is, however, a lot of interest in Canadian technology, machinery and equipment. These can be and are being sold to Italy on a continuing basis.

Specialized Equipment—The Trade Commissioner offices in Rome and Milan recently did a study of the market and made some interesting discoveries. They found that in every case where potential Italian buyers became enthusiastic, and in almost every successful sale, the Canadian product was "different". This meant that it avoided a headlong clash with local production. Flight simulators, for example, were sold because they were highly sophisticated and went beyond anything available in Italy. "O" ring installing machines were successful because they performed a unique function. The concept and design of several types of foundry equipment were so original, and they functioned in such a different way from competitive equipment, that they found ready acceptance. Some equipment was successful because it was designed for applications which are common in Canada but in Italy are specialized fields—examples are off-highway vehicles, custom-made extra-heavy-duty trucks for hauling pulpwood, STOL aircraft and snow removal equipment.

Where Canadian industry has special expertise, our equipment has carved out a place for itself in the Italian market. Pulp and paper equipment and accessories and technically advanced equipment for fabricating and handling nuclear fuels and elements are cases in point.

Direct Sales—The study looked beyond what products were successful and why they were successful to try and discover how Canadian goods should be marketed for maximum results. Discussions were held with a broad section of Italian industry. Several interesting points emerged. Most sales of the different or unique equipment that have been mentioned were, in the first instance, made direct from the Canadian manufacturer to the ultimate user. Very seldom were agents involved. Once the potential customer was introduced to it, the equipment sold itself or created enough interest to warrant the manufacturer making a selling trip to Italy. The underlying reason, however, was that the customer invariably wanted to obtain the lowest possible price (with no agency commissions) and was quite willing to undertake ordering, clearance through Customs, and sometimes even installation, maintenance and repairs. Where the buyer preferred to deal with an agent, he often suggested one himself, which certainly simplified matters. Sometimes prospective agents heard about the first sales and wanted the chance of taking on and promoting an established product—a situation which gives the Canadian firm obvious bargaining advantages.

Problems of Automation—An important point which came out in our discussions with industry was that Italian firms have a different attitude from ours to automated equipment. Italian law is quite restrictive when it comes to laying off workers. Employers therefore look at machinery which replaces labor in a different way from machinery which increases productivity. As one plant manager put it: "We are in effect married to our employees and it is almost impossible to obtain a divorce. However, there are no restrictions on how much work our wife can do." Semi-automated equipment is consequently preferred to fully-automated for existing plants but Italian management is very interested in fully-automated equipment for extensions or new factories. Thus there is sales potential for both fully- and semi-automated machinery.

Competitive Price and Delivery—Although unique Canadian machinery or equipment often possesses advantages which outweigh the added costs of duties, freight, clearing and other import charges, final landed costs and quick delivery remain extremely important. Canadian f.o.b. prices must be calculated with a very sharp pencil.

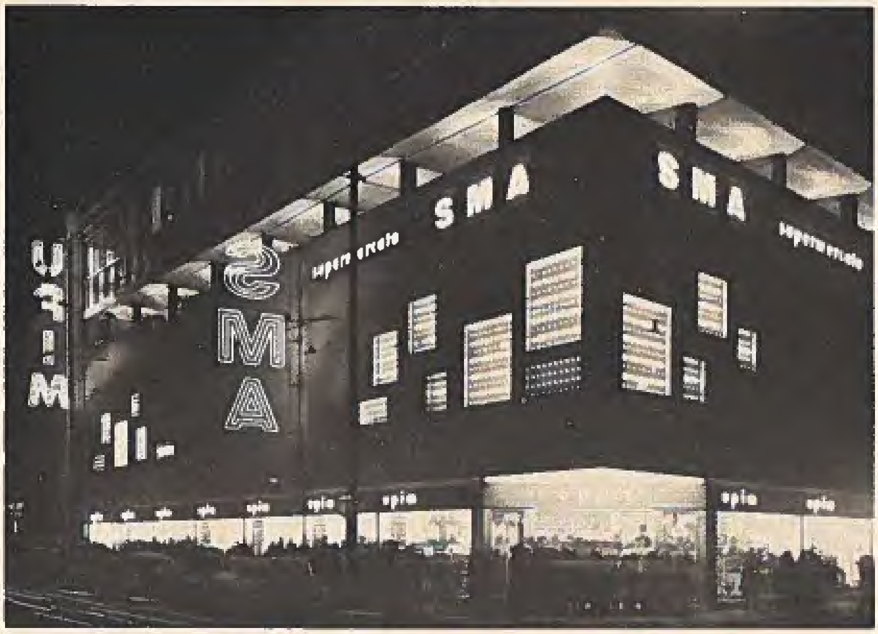
Several Canadian exporters of machinery now find it less costly, less troublesome and quicker to route their products through a North European port such as Rotterdam. They find that lower North Atlantic freight and insurance rates and lower port and handling charges offset the higher overland freight costs to Northern Italy which is the final destination of most Canadian machinery and equipment exports to this country. This procedure avoids congested Italian ports with their high handling charges and involved customs procedures. The Canadian exporter considering the Italian market for the first time should not overlook the possible advantages of routing his goods this way.

To sum up, the Common Market has increased competition, but not to the point where Canadians can't sell industrial goods. There is a market for most kinds of special-purpose and unique equipment. The prospects are particularly good for semi- and fully-automated machinery for the pulp and paper and the automotive industries. Competitive pressure has altered the traditional agency approach to the market in Italy. Trade Commissioners in Rome and Milan are well acquainted with potential customers and are in a position to guide and advise the Canadian exporter in his direct sales approach and later when he wants to find an agent or representative.

Italians Have Money to Spend

Rising incomes, more leisure time, and the advent of the supermarket have opened up new possibilities for Canadian exporters.

C. D. MILLER, *Assistant Commercial Secretary, Rome.*



Italians with money jingling in their pockets have helped the new supermarkets to boost their sales and Canadians to find new sales outlets. This is a big one in Milan.

If you have not visited Italy recently, you may still think of it as a sunny Mediterranean land where traditions are revered and changes are almost imperceptible. A surprise is in store for you the next time you set foot on Italian soil. Sunny and Mediterranean it may be, but static it certainly is not. In the last two years, Italy has achieved a real growth in GNP of more than 5 per cent a year, well above that of other EEC countries, a most enviable performance. This healthy growth is continuing in 1968. It has brought far-reaching changes to Italian life and has created many opportunities for Canadian exporters of finished goods.

We ask you to consider the trends in consumer tastes and marketing methods and to see whether Italy offers possibilities for your products which you have not yet explored.

Into the Supermarket Era—The supermarket boom is on in Italy. Two years ago Rome had few supermarkets. Now busy shoppers can choose from dozens; new stores open every few months. In the north, the breakthrough came earlier and supermarkets are already well established. The latest and largest have as broad a selection of convenience and frozen foods as Canadian supermarkets. Italian housewives see everything from prepared Chinese food to escargots Bourguignon attractively displayed—and try them.

Convenience foods will, however, take some time to gain widespread consumer acceptance. Italians are justifiably proud of their foods, but most of them take a lot of preparation. Housewives don't want to spend half their lives in the kitchen and household help is becoming very expensive. Both these factors augur well for new, different, easy-to-use foodstuffs, such as prepared sauces, soups, and cake mixes.

Frozen foods go hand in hand with supermarkets and are now making an increasing impact. Progress in the past was slow, partly because when these products were first introduced after the war, Italian consumers discovered that a poor quality product did not turn into a good one when it was sold frozen. When manufacturers began to reintroduce frozen foods a few years ago, shoppers were wary. The big sellers in the frozen line are fish (60 per cent) and vegetables (33 per cent). Canadian firms are already selling both in Italy. Future sales should be larger, provided quality is kept high. The per capita consumption of frozen food in Italy is the lowest in the EEC, but it will rise rapidly as consumers realize that frozen foods allow them to enjoy their favorites year round.

Hardware and Small Appliances—A few years ago, if had you walked into a typical Italian hardware store, you would have found that the majority of the customers were tradesmen—carpenters, painters, plumbers. Today hardware stores are becoming larger and they feature attractive displays of tools, gadgets, wallpaper and paints, which are designed to catch the eye of the householder. There are two reasons for this trend. Tradesmen are becoming too expensive for anyone but the wealthy to employ, and the number of home-owners is rising fast. In fact, more families now own than rent, a reversal of the situation five years ago. An owner naturally takes a more active interest in his home—the sales of household equipment and do-it-yourself items will climb as a result.

Canadian exporters should aim to sell appliances for the kitchen as well as products to be used by the man of the house. Maids are becoming harder to find and the housewife has often to do all the cooking. She wants the kitchen to be a pleasant and convenient room, complete with labor-saving devices such as mixers, blenders and a host of useful little gadgets. Many of these are now imported from the U.S. and Britain. Canadian producers should be able to meet the competition.

Sporting Goods—Italy's per capita income is still the lowest in the EEC but it is rising faster than in the other countries. This and the shrinking work week mean that thousands of new skaters, skiers, boating, fishing and camping enthusiasts join the ranks of sportsmen every year. Italians like to do things in style—sportsmen want the latest and the best. To take camping as an example, Italy is dotted with excellent campsites and the climate makes it an ideal country for this form of vacation. Many of the campers are foreign tourists (part of the 27 million a year that swarm into Italy) but every summer more Italians sleep out under the pines, with their brand-new tents, camp beds, gas stoves and coolers.

Sales of toys and games are also fast expanding. In Italian cities there are many shops selling these exclusively. Some of the best sellers come from the United States, Britain and other non-EEC countries. Canadian firms producing unique, rugged, safe toys may find a ready market.

Clothing and Sportswear—Clothing sales in Italy amount to $2 billion a year. The trend is away from hand-tailored suits to ready-made goods. Over the past ten years, ready-to-wear clothes for men and women have climbed from 30 to 65 per cent of the total market.

Italians will buy more casual clothes as leisure time increases. Canadian sportswear manufacturers should take a close look at the Italian market. Canadian outerwear and cold-weather clothing are already selling in Italy and, provided style and price are right, prospects for increased sales are good.

Rhine barges at Rotterdam can carry overseas imports to the heart of the EEC.

The French Trade Pattern Changes

This study of French imports in the past decade and of the influence of the Common Market on them reveals the nature of the French market and suggests the direction for Canadian export promotion.

C. O. R. ROUSSEAU, *Minister-Counsellor (Commercial), and*
WILFRID LAVOIE, *Economic Counsellor, Paris.*

■ The end of the fifties marked a decisive stage in the rapid growth of the French economy. The gradual liberalization of industrial trade in the OEEC undoubtedly contributed to this development, but it is also certain that the coming into force of the Common Market Treaty and the favorable economic conditions which have prevailed since 1958 in the member countries have accelerated the expansion of France's economy and foreign trade. To meet increasing internal demand, France has become the fourth largest importer in the world, particularly of capital and consumer goods.

General Trends

The gross national product in France has increased from Cdn.$54 billion* to Cdn.$106 billion in 1967. Foreign trade has increased even more rapidly, and now accounts for about 15 per cent of French national production in 1967, compared with 9.8 per cent in 1958. The volume of France's external trade exceeded $12 billion in 1959 and reached $26 billion in 1967, including $14 billion in imports. However, as in all other EEC countries, France's trade with its EEC partners increased much more quickly than its trade with other nations. Today, nearly 42 per cent of France's foreign trade is carried on with Common Market countries compared with 22 per cent in 1958. In fact, France's intra-Community trade increased from $3.5 billion in 1959 to $11 billion in 1967, but its dealings with the rest of the world merely doubled. Indeed, France ranks second among the Six in foreign trade, coming after Italy, whose links with its partners have developed to the greatest extent. In ten years, France's exports to the other member countries have risen 17 per cent a year and its imports 18 per cent.

In choosing free trade and economic growth, France opened its market to international competition. As a result, total French imports, which did not exceed $5.3 billion in 1958, reached $13.6 billion in 1967. Imports from the other EEC members doubled in a decade. In 1958 France bought 22 per cent of its total imports from the EEC and in 1967, 43.5 per cent. The table shows the growth of France's imports from the EEC.

The importance of the Common Market countries in French import trade is borne out by the position of Germany which, with a total of more than $2.7 billion, is by far the leading supplier. The United States comes second, just ahead of the Belgium-Luxembourg Economic Union, Italy comes fourth, and the Netherlands fifth.

The liberalization of trade and the gradual elimination of French Customs duties vis-à-vis its EEC partners have opened the French market to a range of products never before offered to French industries or consumers. The trend of French prices, which increased much more rapidly than those of its competitors in the Common Market, also attracted outside suppliers.

The composition of French imports shows a gradual but slow rise for raw materials and unfinished products. And, because these imports have long been liberalized, they tend to fluctuate with the movements in economic growth. In addition to this phenomenon, which is not peculiar to France, a trade surplus, chiefly in capital and consumer goods, has developed. The most substantial increase in absolute terms came in imports of capital goods, which have risen by 12.6 per cent a year.

Analyzing 1967 Imports

An analysis of total imports into France last year reveals the following trends:

1. The percentage share of imports of raw materials and unfinished products in total imports dropped from 18.2 per cent in 1966 to 15.1 per cent in 1967.

2. The share of agricultural products in total imports decreased to 13.1 per cent in 1967, compared with 13.4 per cent in 1966 and 14.3 per cent in 1965.

3. Imports into France of products in a more or less advanced stage of processing accounted for nearly 60 per cent of the total last year, no doubt in part because of the lowering of tariff barriers and growing international competition.

4. Larger purchases of steel products and chemicals led to an increase of 11.3 per cent in imports of semi-finished products.

IMPORTS INTO FRANCE FROM EEC COUNTRIES

	(millions of U.S.$)	*(per cent of total)*
1958	1,227	22
1959	1,362	27
1960	1,849	29
1961	2,102	31
1962	3,522	34
1963	3,126	36
1964	3,762	37
1965	4,015	39
1966	4,853	40
1967	5,333	43

* Unless otherwise indicated, all figures are expressed in Canadian dollars, using the rate 4.57 francs=Cdn.$1.00.

5. Imports of finished products, such as capital and consumer goods, went up by more than 10 per cent, with the greatest rise in absolute terms in capital goods, which exceeded $3 billion in 1967. This figure includes mainly machinery, electrical equipment, precision machinery and machine tools.

6. Of total imports of consumer goods worth $1.6 billion (and including forest products, textiles, etc.) automobiles accounted for $0.6 billion, with nearly all of them coming from EEC countries. This expansion in consumer goods imports reflects the pressure exerted on the French market by outside industries, especially in the Common Market countries. Typical of this is electrical appliances. French exports of electrical appliances actually rose by 7.6 per cent last year but appliance imports, especially from Italy, rose by 13.3 per cent.

Agricultural imports tend to rise more slowly than those of other sectors. In absolute terms, they increased by only 4.3 per cent over the previous year; in other sectors, the figure exceeded 10 per cent. The reason for this is the structure of French agriculture, which except for stock for breeding purposes is able to supply the greater part of French needs. Secondly, trade in the agricultural sector continued to show a surplus, with the help of the implementation of the Common Agricultural Policy. On the other hand, imports of fisheries products developed considerably, especially those of salmon and shellfish.

Trade with Canada

According to French statistics, Canadian exports to France since the birth of the Common Market in 1958 have more than doubled, rising from Cdn.$51.8 million in 1958 to Cdn. $111.2 million in 1967. On the other hand, French exports to Canada have nearly trebled, increasing from about $84.9 million to $250 million during the same period.

These figures show that the entry of France into the Common Market has not curtailed Canadian exports to France on the whole. But, in spite of the favorable developments of the past ten years, exchanges between France and Canada play a very limited role in the total foreign trade of both countries. France's sales to Canada represent slightly more than 1 per cent of its total exports and Canada's sales to France about 0.8 per cent of its total exports.

On the Canadian side, this is partly because of the proximity of the United States and the traditional trade relations with Britain. On the French side, the expansion of trade with its partners in the Common Market, other European countries, the United States, and the franc zone has kept Canada in the background.

According to French statistics, the balance of trade was in Canada's favor from 1958 to 1966 but this changed to a $10.8 million deficit in 1967. The reversal resulted mainly from the continued increase in French investment in Canada and especially in the new French automobile assembly plants in the province of Quebec.

Leading Commodities

An analysis of the main commodity groups in Canadian exports to France reveals the following trends:

1. Shipments to France of fish and shellfish rose from $115,900 in 1958 to $6.4 million in 1967.

2. Exports of cereals and oilseed products have continued to be important but have fluctuated widely with the size of the French harvests and the movement of international prices. In 1961, the record year, sales of Canadian cereals on the French market reached $19.2 million; in 1967 the figure was only $5.2 million. Exports of oilseed products during the same period dropped from $12.45 million in 1958 to $2.8 million in 1967. In general, the fall in exports of agricultural products is a result of the gradual implementation of the Common Agricultural Policy.

3. Sales of asbestos and other metals and minerals, although they too have fluctuated, moved up from $5.2 million in 1958 to $12.2 million in 1967. Shipments of copper remained firm, at $9.8 million in 1958 and $10.2 million in 1967, and sales of nickel have also remained steady for the past three years at about $8.7 million. Annual sales of aluminum total about $2.2 million.

4. Exports of plastic and synthetic rubber dropped from $10.4 million in 1958 to $2.4 million last year, because of the setting up of a Polymer Corporation plant in Strasbourg.

5. In the forests products sector, exports of lumber and lumber products increased substantially, rising from $1.6 million in 1958 to $4.6 million last year. In the first months of 1968, thanks to serious sales efforts, exports have gone up again. Shipments of wood pulp, only $1.7 million in 1958, reached $9.5 million in 1967, and those of paper and paperboard rose from $126,400 in 1963 to $1.4 million in 1967.

6. In the field of finished products and capital goods, there was a striking advance—from $1.1 million in 1958 to $7.8 million in 1967. The record year, however, was 1965, when exports reached $12.4 million.

7. Sales of chemicals over the past five years have proved to be stable, at between $1.9 million and $2.2 million a year, but exports of plastics have suffered a major setback, reaching only $400,000 for the past three years compared with $3 million in 1964.

8. Exports of iron and steel have fluctuated sharply in the last decade. They rose to $8.7 million in 1961 and steadied at between $1.5 million and $1.7 million between 1965 and 1967.

Summing Up

The increasing part that France's five Common Market partners are playing in its foreign trade reflects the realities of economic integration and the strength of the EEC ties. As expected, the establishment of the Common Market has created a new trading pattern rather than a mere temporary shift in trade. The substantial increase in trade between France and its EEC partners has been accompanied by a major rise in French imports from other countries since 1958. Bearing in mind the traditional pattern of Canadian imports into France, French purchases from Canada have not increased as rapidly as those from other countries, although for certain sectors and some products some gains have been achieved.

If You Need to Know More

These lists of source material on the EEC have been compiled by the Trade and Commerce library staff. Readers will also find the Centre d'Etudes et de Documentation Européennes in Montreal most helpful. The Department regrets that it cannot undertake to supply inquirers with copies of any of these publications.

EEC Publications

There is a great deal of information on the EEC in the numerous documents and periodicals which it publishes. The *Catalogue of Publications of the European Communities* listing titles, prices and the languages available, is kept up to date by *Recent Publications* sheets. Two particularly useful EEC periodicals are *The Economic Situation in the Community* (quarterly) and *Graphs and Notes on the Economic Situation in the Community* (monthly).

Official statistics are gathered and published by the Statistical Office of the European Communities. They include industrial and agricultural statistics and an excellent presentation of foreign trade statistics, both for the EEC and for its Overseas Associates (countries in Africa, St. Pierre et Miquelon, etc.). The titles are in the *Catalogue of Publications of the European Communities.*

The information service of the EEC, in conjunction with its offices in world centers, publishes general information on the EEC, ECSC, and EURATOM (now merged into one Community) in the language of the country where the office is established. Brochures, folders, sets of maps, and the monthly *European Community* are free. There is also a reading list *A Guide to the Study of the European Community.* You should write for these to:

(*English*)
European Community Information Service
808 Farragut Building
900-17th St., N.W.
Washington, D.C. 20006

or

European Community Information Service
2207 Commerce Building
155 East 44th St.
New York, N.Y. 10017

or

European Community Information Service
23 Chesham St.
London, S.W.1, England

or

(*French*)
Bureau d'Information des Communautés Européennes
61 rue des Belles-Feuilles
Paris, XVI, France

Books about the EEC

Camps, M. European Unification in the Sixties; from the Veto to the Crisis. New York, McGraw-Hill, 1966. 273 p. (Council on Foreign Relations. Atlantic Policy Studies Series)

Price: $7.50

Order from: McGraw-Hill Co. of Canada Ltd.
330 Progress Ave.
Scarborough, Ont.

Canadian Trade Committee. Among the titles of studies sponsored by the Canadian Trade Committee of the Private Planning Association of Canada are: Canada's Approach to Trade Negotiations, by L. D. Wilgress, 1963 ($1.00); The Impact of European Integration on Canada, by L. D. Wilgress, 1962. ($1.00); The Common Agricultural Policy of the EEC and Its Implications for Canada's Exports, by Sol Sinclair, 1964. ($2.00)

Order from: Canadian Trade Committee
Private Planning Association of Canada
757 Sun Life Bldg.
Montreal 2, Que.

Coppock, J. O. Atlantic Agricultural Unity: Is it Possible? New York, McGraw-Hill, 1966. 238 p.

Price: $7.50

Order from: McGraw-Hill Company of Canada Ltd.
330 Progress Ave.
Scarborough, Ont.

Edwards, A. D. Investment in the European Economic Community; a Study of Problems and Opportunities. Prepared by the Economist Intelligence Unit. New York, Praeger, 1964. 75 p. (Praeger Special Studies in International Economics)

Price: $15.00

Order from: Burns & MacEachern Ltd.
62 Railside Road
Don Mills, Ont.

Great Britain. Ministry of Agriculture, Fisheries and Food. The Common Agricultural Policy of the European Economic Community. London, 1967. 20 p. (Cmnd. 3274)

Price: 40 cents

Order from: H.M.S.O. Sales Section
British Information Services
80 Elgin St.
Ottawa 4, Ont.

Kitzinger, U., Editor. Tbe European Common Market and Community. London, Routledge and Kegan Paul, 1967. (World Studies Series)

Price: $5.00

Order from: General Publishing Co. Ltd.
30 Lesmill Road
Don Mills, Ont.

Lloyd's Bank Limited. What about Europe? A Study of the European Economic Community. London, 1967. 83 p.

Price: Free

Order from: Lloyd's Bank Limited
71 Lombard St.
London, E. C. 3, England

Pickles, W. Britain and Europe—How Much Has Changed? Oxford, Blackwell, 1967. 119 p.

Price: $2.50

Order from: Copp Clark Ltd.
517 Wellington St., W.
Toronto 2B, Ont.

Terpstra, V. American Marketing in the Common Market. New York, Praeger, 1967. 168 p. (Praeger Special Studies in International Economics and Development)

Price: $12.50

Order from: Burns & MacEacbern Ltd.
62 Railside Road
Don Mills, Ont.

Walter, I. The European Common Market; Growth Patterns of Trade and Production. New York, Praeger, 1967. 212 p. (Praeger Special Studies in International Economics and Development)

Price: $12.50

Order from: Burns & MacEacbern Ltd.
62 Railside Road
Don Mills, Ont.

Weil, G. L. Editor. A Handbook on the European Economic Community. New York. Praeger, 1965. 479 p. (Praeger Special Studies in International Economics)

Price: $7.50

Order from: Burns & MacEachern Ltd.
62 Railside Road
Don Mills, Ont.

Periodical Articles

Caves, R. E. Europe's Unification and Canada's Trade. (Possible effects of the European Economic Community on Canadian trade). Canadian Journal of Economics & Political Science 25:249-58 Aug. '59.

Garrigue, V. R. La. Le Marché Commun et les Problèmes Agricoles. L'Actualité Économique 35:446-62 Oct.-Dec. '59.

Kaliski, S. F. Canada, the United Kingdom and the Common Market. International Journal 17:17-24 Winter '61-'62.

Reuber, G. L. European Trade Blocs and Canada's Export Trade. Canadian Banker 68:20-30 Winter '61-'62.

Holmes, J. W. Political Implications of the European Economic Community. Queen's Quarterly 69:1-10 Spring '62.

Smith, A. J. R. Canada and the Challenge of a New Europe. Business Quarterly 27:23-32 Spring '62.

Sheridan, R. T. Canada and the Common Market—Black and White. Canadian Banker 69:111-18 Autumn '62.

Korey-Krzeczowski, G. Doing Business with thc New Europe. Industrial Canada 63:32-5 Apr. '63; 64:48-9, 100 May '63; 45-6, 48 June '63; 31-2, 34-35 Aug. '63.

Cosgrove, C. A. Towards a Common Agricultural Policy in the European Economic Community. International Relations (London) 3:40-60 Apr. '66.

Mendez, J. M. La Politique Agricole de la Communauté Économique Européenne. (Avec une étude de la partie du Traité de Rome qui concerne l'agriculture). L'Actualité Économique 41:226-68 Juil.-Sept. '65; 42:82-113 Avril-Juin '66.

Bird, R. M. Regional Policies in the European Economic Community. Dalhousie Review 46:200-14 Summer '66.

Gordon, R. P. and B. Dixon. Guide to More Sales in the Common Market. Canadian Business 39:50-3 July '66.

Leontiades, J. Is a Common Market a Single Market? Doing Business in One EEC Nation Won't Mean Automatic Access to the Otbers. Columbia Journal of World Business 2:23-9 July-Aug. '67.

Grubel, H. G. Intra-industry Specialization and the Pattern of Trade. Extent to which international trade among the countries of the EEC occurred through intra—rather tban inter—industry specialization. Canadian Journal of Economics & Political Science 33:374-88 Aug. '67.

Heck, H. EEC Tariff Walls: No Ministep but No High Hurdle Either. Columbia Journal of World Business 2:47-52 Sept.-Oct. '67.

Rowney, R. L. The EEC Challenge to Canada: Does It Really Make Any Difference to Canada if Britain Joins the EEC? Canadian Business 40:63-4 Oct. '67.

EEC: How Successful; How Contagious? (World Business Forum) Columbia Journal of World Business 3:77-83 Jan.-Feb. '68.

Frey, C. W. Meaning Business: the British Application to Join the Common Market, November 1966-October 1967. Journal of Common Market Studies 6:197-230 Mar. '68.

Periodicals

Common Market: a Monthly Review of European Integration and Economic Development. Published in the Netherlands jointly by several publishers.
Price: U.S.$12.50 a year.
Order from: Fred B. Rothman & Co.
57 Leuning St.
South Hackensack, N.J. 07606

Common Market News. Weekly.
Price: U.S.$120.00 a year.
Order from: Reuters Economic Services
1212—6th Ave.
New York, N.Y. 10036

Europe France Outremer. Monthly.
Price: FF110 a year (surface mail).
Order from: Europe France Outremer
6 rue de Bassano
Paris—16°, France

European Trends. Quarterly.
Price: £10.
Order from: The Economist Intelligence Unit Ltd.
Spencer House
72 St. James's Place
London, S.W.1, England.

Journal of Common Market Studies. Three issues a year.
Price: £2 2s 0d a year.
Order from: Basil Blackwell
49 Broad St.
Oxford, England

Successo. International Edition (English). Monthly.
Price: Cdn. $2.00 a year.
Order from: Aldo Palazzi, Editore
Casello Postale 3290
Milan 20100, Italy

Centre d'Études et de Documentation Européennes

■ It used to be difficult to do research on European subjects in Canada. Documents had to be assembled from a number of sources across the country or obtained from Europe. To overcome this, the Ecole des Hautes Etudes Commerciales de Montréal set up a special section, the Centre d'Etudes et de Documentation Européennes, in its Economics Department. It has already collected more than 3,000 items dealing with Europe, EFTA, the EEC and the Associated States, and countries applying for membership in the Common Market.

The Centre is, however, much more than a special bookroom. Its activities were launched with éclat by Monsieur Jean Rey, president of the Commission of the European Communities, and a party of distinguished Europeans who visited Expo 67 and Montreal last September. The research staff consists of four research assistants, a documentalist, and Monsieur Raynald Joubarne, the capable general secretary. Six important research projects are under way at present and a steady stream of publications is beginning to flow from the Centre. Every three months, it puts out a bulletin of information on developments in Europe. Canadian studies of various European problems are being published as occasional papers (cahiers). Most of them are available in both French and English.

The Centre has no intention of setting up a formal course of its own. It will act rather as a focal point for studies of European problems and will provide support for the organization of courses by universities. At the Centre, they believe that inter-disciplinary study is highly productive and is necessary because the problems of European integration touch every field of human activity. The effects are felt in civil law, social security, education, art, and science, as well as in politics and commerce. It involves, among other things, standardization, harmonizing fiscal policies, and the recognition of each other's professional qualifications.

An advisory committee drawn from the economics, law, business, and political science faculties in Montreal universities and the Private Planning Association of Canada both helps to keep the Centre abreast of the academic's needs and ensures that its work stays in touch with everyday realities. Close relations are also maintained with universities in other parts of Canada and with representatives of governments. The Centre is financed by the Ecole des Hautes Etudes Commerciales de Montréal, of which it is part.

The company economist or the export manager who needs information on Europe can look for expert guidance from the staff at the Centre. Single pages or articles will be photocopied at a nominal charge for those who are unable to visit the bookroom and often copies of recent EEC pamphlets can be supplied. In the very near future, the Centre will be able to undertake specific research projects for businessmen.

Canadians selling to developing countries (Francophone Africa, for example) will find the large selection of magazines dealing with these areas particularly useful. Publications such as *Afrique Contemporaine* and *Maghreb* give a lot of information but they are seldom found in other libraries. It is hoped that this kind of material will become more widely available. Ottawa University, for example, is planning to set up an Institute of International Co-operation as a section of one of its departments.

Correspondence with the Centre should be addressed to Monsieur Raynald Joubarne, General Secretary, Centre d'Etudes et de Documentation Européennes, Ecole des Hautes Etudes Commerciales de Montréal, 535 Avenue Viger, Montréal 24, P.Q. and may be in English, French, Italian or German.

—M. A. JOHNSTON, *Assistant Editor, "Foreign Trade"*.

Trade Commissioners on Tour

In Canada

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

United States, Chicago—D. H. Cheney, Consul and Senior Trade Commissioner in Chicago:

Toronto—August 19-21
Montreal—August 22-23

United States, Los Angeles—J. H. Suggitt, Consul and Assistant Trade Commissioner in Los Angeles:

Winnipeg—July 16-17
Toronto—July 18-22
Hamilton, Kitchener, Galt—July 24
Whithy, Deseronto—July 25
Montreal—July 26-31

Temporary Duty in Ottawa

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

D. H. Cheney, Consul and Senior Trade Commissioner in Chicago, August 12-16.

P. A. Savard, Consul and Trade Commissioner in New Orleans, July 22-31.

J. H. Suggitt, Consul and Assistant Trade Commissioner in Los Angeles, August 1-12.

In Territory

Britain—J. H. Nelson, Trade Commissioner, K. R. Higham, Assistant Trade Commissioner, and W. H. G. Metcalfe, Commercial Assistant, in Liverpool, will visit the following cities on the dates shown.

Manchester—July 11
Harrogate—July 17
Coventry—July 17-18

Bulgaria, Czechoslovakia, Hungary, Romania—Trade Commissioners in the Vienna, Austria, office make frequent visits to these countries, hut often there is not time to publish their itineraries in advance. Therefore, Canadian husinessmen who would like the Trade Commissioners to undertake assignments for them in these East European countries are advised to write to the Vienna office immediately.

Thailand—A Trade Commissioner from Singapore will be making a monthly visit to Thailand throughout 1968. Correspondence should normally he addressed to the Singapore office although contact can also he made through the Canadian Embassy in Bangkok, P.O. Box 2090 (telex: 2277; cable: DOMCAN, Bangkok; phone: 32-956).

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

They're Rebuilding McCormick Place!

■ Reconstruction of McCormick Place, Chicago's famous exposition center, is under way. Located on the shores of Lake Michigan, the old McCormick Place was destroyed hy fire January 15, 1967. At that time thousands of service workers, downtown hotels and husinesses, and the city treasury counted losses amounting to some $15 million in conventions and shows diverted to other cities or cancelled outright. By 1970 these losses could reach $38 million.

After two rejections, suitahle plans have now heen approved to rebuild the hall on the same site at a cost of $72 million—more than douhle the cost of the original building. The first contract was awarded in April and additional contracts were processed during May.

The new complex will be a modern, streamlined building with two levels, each of 300,000 square feet, compared with 480,000 square feet in the old building. The lower level will contain secondary exhibition space, restaurants, and meeting rooms, and the 5,000-seat theater will be restored. Underground parking for 2,000 cars, a wide roof overhang, a plaza, and other interesting features will avoid the factory-like appearance of the old structure.

According to fair authorities, the usual risks and uncertainties associated with building completions have been almost eliminated. By computerizing construction schedules and making use of the critical path planning method, the completion date for the new hall has heen determined as some time in January 1970. Mayor Richard J. Daley has heen promised an opening day ceremony for St. Patrick's Day (March 17) and prefair hookings are expected to start no later than May 1970.

The old McCormick Place was a familiar haunt for hundreds of Canadian companies exhibiting *Made in Canada* products. Exhibits sponsored hy the Department of Trade and Commerce were displayed in some thirty shows held there during its six successful years. With improved exhibition services and facilities, the new McCormick Place expects to reclaim for Chicago the title, *Convention Capital.*

—D. H. CHENEY, *Consul and Senior Trade Commissioner,* and DAVID DENISON, *Commercial Officer, Chicago.*

Foreign Exchange Rates

These nominal quotations may help exporters in checking prices, but they should consult their banks before making any firm commitments. When more than one rate is shown, the one to be used depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the Office of the Trade Relations, Department of Trade and Commerce, Ottawa.

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

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

For conversion of column one to the U.S. dollar equivalent, *multiply* by .92. To convert column two, *divide* by .92.

Country and Currency	Value of Foreign currency unit in Canadian dollars at June 21	Value of Canadian dollar in foreign currency units at June 21
Algeria		
Dinar	.2164	4.60
Argentina		
Peso (free)	.0031	322.58
Australia		
Dollar	1.197	.8257
Austria		
Schilling	.0417	23.98
Bahamas		
Dollar	1.055	.9364
Belgium and Luxembourg		
Franc	.0216	46.25
Bermuda		
Pound	2.565	.39
Bolivia		
Peso	.0904	10.97
Brazil		
Cruzeiro (official free)	.3358	2.97
Britain		
Pound	2.565	.39
British Honduras		
Dollar	.6425	1.55
Burma		
Kyat	.2260	4.20
Ceylon		
Rupee	.1808	5.47
Chile		
Escudo (bank rate)	.1600	6.25
(free)	.1385	7.20
China, Republic of		
New Taiwan Dollar (official)	.027	37.04
Colombia		
Peso (fixed)	.066	14.95
Congo, Republic of[1]		
Franc	.0072	139.50
Costa Rica		
Colon	.1625	6.10
Cuba[2]		
Peso	....	....
Czechoslovakia		
Koruna	.1495	6.64
Denmark		
Krone	.1439	6.81
Dominican Republic		
Peso	1.076	.92
Ecuador		
Sucre (official)	.0598	16.50
(free)	.0535	18.45
El Salvador		
Colon	.4305	2.31
Fiji		
Pound	2.472	.40
Finland		
Markka	.2563	3.88
France, Monaco, etc.[3]		
Franc	.2164	4.60
Franco-African Republics[4]		
Franc	.0043	227.79
French Pacific[5]		
Franc	.0119	82.64
Germany		
D Mark	.2693	3.68
Ghana		
New Cedi	1.055	.94
Greece		
Drachma	.0359	27.86
Guatemala		
Quetzal	1.076	.92
Guayana		
Dollar	.5381	1.85
Haiti		
Gourde	.2153	4.60
Honduras		
Lempira	.5381	1.85
Hong Kong		
Dollar	.1776	5.56
Hungary		
Forint (official)	.0921	10.86
Iceland		
Krona (official)	.0188	52.91
India		
Rupee	.1426	6.90

ountry nd urrency	Value of Foreign currency unit in Canadian dollars at June 21	Value of Canadian dollar in foreign currency units at June 21
donesia[6]		
Rupiah	....	....
an		
Rial	.0143	70.42
aq		
Dinar	3.014	.33
eland		
Pound	2.565	.39
rael		
Pound	.3075	3.23
aly		
Lira	.0017	581.86
maica		
Pound	2.565	.39
pan		
Yen	.0029	333.33
enya		
Shilling	.1526	6.55
ebanon		
Pound (free)	.3336	2.98
alaysia		
Dollar	.3516	2.82
exico		
Peso	.0861	11.47
orocco		
Dirham	.2127	4.65
etherlands		
Florin	.2972	3.34
etherlands Antilles		
Florin	.5707	1.74
ew Zealand		
Dollar	1.201	.82
icaragua		
Cordoha	.1537	6.42
igeria		
Pound	2.999	.33
orway		
Krone	.1507	6.57
akistan		
Rupee	.2260	4.38
anama		
Balboa	1.076	.93

Country and Currency	Value of Foreign currency unit in Canadian dollars at June 21	Value of Canadian dollar in foreign currency units at June 21
Paraguay		
Guarani (free)	.0086	116.28
Peru		
Sol (free)	.0229	42.37
Philippines		
Peso (free)	.2750	3.61
Poland		
Zloty (fixed basic rate)	.2695	3.68
Portugal & Colonies[7]		
Escudo	.0374	26.33
Saudi Arabia		
Riyal	.2066	4.84
Sierra Leone		
Leone	1.507	.66
Singapore		
Dollar	.3516	2.82
South Africa		
Rand	1.507	.66
Spain & Dependencies		
Peseta	.0155	64.25
Sweden		
Krona	.2082	4.77
Switzerland		
Franc	.2499	4.01
Syria		
Pound (free)	.2821	3.51
Thailand		
Baht (free)	.0522	18.90
Trinidad & Tobago[8]		
Dollar	.5392	1.85
Tunisia		
Dinar	2.050	.48
Turkey		
Lira	.1196	8.28
United Arab Republic		
Pound (official)	2.475	.40
United States		
Dollar	1.076	.92
Uruguay		
Peso (free)	.0043	232.55
Venezuela		
Bolivar (official free)	.2394	4.17
Yugoslavia		
Dinar (official)	.0861	11.47

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

These People Serve You in the EEC Countries

EUROPEAN COMMUNITIES

Counsellor
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35 rue de la Science
Brussels 4, Belgium

G. F. Mintenko, Counsellor
Y. C. Jauron, First Secretary
Miss V. F. Wightman, Second Secretary

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Telex: 221613 (DOMCAN BRU)
Territory: European Economic Community, European Atomic Energy Community, European Coal and Steel Community

FRANCE

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C. O. R. Rousseau, Minister-Counsellor (Commercial)
C. J. St. Pierre, Assistant Commercial Secretary
F. G. Beaudette, Assistant Commercial Secretary (Agriculture)
F. M. Wanklyn, Assistant Commercial Secretary
P. E. Labbé, Assistant Commercial Secretary
T. G. Tait, Assistant Commercial Secretary
A. C. Perron, Assistant Commercial Secretary

Cable: CANADIAN, Paris 086 *Phone*: 225-99-55
Telex: 28806 (DOMCAN a Paris)
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00161 Rome, Italy

J. H. Stone, Commercial Counsellor
P. A. Freyseng, Commercial Secretary
J. E. Montgomery, Commercial Secretary (Agriculture)
C. D. Miller, Assistant Commercial Secretary
D. T. Wismer, Assistant Commercial Secretary

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