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FOREIGN TRADE

DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE, OTTAWA

The EEC Market—World's Biggest Import Market

The gentleman on the far right of our cover picture is the Foreign Minister of the Netherlands, Joseph Luns, speaking to the European Parliament. Made up of 142 members nominated by the Parliaments of the six EEC countries, it meets in Strasbourg seven or eight times a year and exercises general supervision over the three Communities.

We chose this picture because the issue is devoted to our once-a-year review of general economic developments within the European Economic Community. From the Canadian Mission to the European Communities in Brussels we have gathered articles on the EEC's trade and Canada's too-small share in it, on the thorny agricultural problem, on the move towards greater scientific and technological co-operation and the co-ordination of industrial policy, and on relations with the associated, particularly the developing, countries.

The Trade Commissioner posts in the EEC countries have contributed succinct reviews of Canadian trade performance and possibilities in their territories. Illustrating these articles are photographs of Canadian products being sold today in the Common Market. Very varied they are too and we collected them by writing to nearly 75 companies already selling in the Netherlands and in West Germany. If we did not write to you and you have good pictures that we could use, please send them to us.

Setting up a branch plant in an EEC country has proved to be a solution to certain types of trading problems, as American experience has shown. But it's not a step to be undertaken lightly. The case history of how Perkins Paper Products established packaging and distribution facilities in Belgium to serve its EEC customers will prove this point. We are grateful to the company for permitting us to publish this practical piece.

You will not find a report in Italy in this issue because on June 21st we devoted the whole number to that country—its foreign trade, distribution pattern, the forces that are shaping the market of the future, and ways in which Canadians can and do compete there. Early next year we plan to publish a somewhat similar review of the market in West Germany.

FOREIGN TRADE

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The EEC Market

The challenge and the opportunities for Canadians

A. R. A. GHERSON
Deputy Head, Mission of Canada to the European Communities, Brussels

■ It would be presumptuous for a relative newcomer to Brussels to lecture or exhort Canadian exporters, many of whom have many years of trade experience behind them, to move into the EEC market. Yet after one year, observing the Community from this vantage point, one is impressed by the outstanding fact that the Community today is the world's largest import market. Not only is the volume of trade among member states in the EEC large and growing—that is to be expected. But it is what the Community buys from the outside world that is impressive. With a market of 185 million people (7½ per cent smaller than the United States), with a gross national product of the order of $380 billion, the EEC now imports from its trading partners outside almost $34 billion worth of goods, or 30 per cent more than the U.S. does. The question that is equally striking but perplexing is why Canadian exports to the EEC are only of the order of $750 million.

CAP Is Restrictive

It is true that agriculture continues to represent a significant component of Canadian exports to the Community and that the EEC's Common Agricultural Policy has not opened up the market to imports. As a result of the incentives generated by the price and market-support apparatus of the CAP, there have been burdensome surpluses. This has had a displacement effect on Canadian exports not only in the Community but also in outside markets, where Canada competes against heavily subsidized Community exports. As the article on the Mansholt Plan in this issue points out, the Community is seized of the problems and of the almost intolerable expense of supporting its agricultural production. The Commission is endeavoring to gain acceptance of its proposals for revamping the agricultural structures in member states with a view to developing a more viable and rational agricultural economy, but it still has a long way to go. Meanwhile we are working in the GATT and bilaterally with the EEC Commission to safeguard our agricultural export interests.

Industrial Imports Increase

But while there are legitimate explanations for Canadian trade performance in agriculture in terms of the present inhibiting influence of the CAP, can the same be said of the industrial sector? It is in the secondary manufacturing sector that the greatest potential in the EEC appears to lie. As the article opposite on Canadian trade with the Community points out, the industrial sector in the EEC has shown the greatest expansion in terms of import trade. EEC imports of primary products declined from 72 to 60 per cent of total purchases from outside countries from 1958 to 1967; industrial products—and in particular chemicals, machinery, and transport equipment—increased their share from 28 to 38 per cent. Another consideration is that by 1972 the industrial tariff of the EEC will be on the average about 8 per cent. Canada's export performance in the EEC cannot therefore be explained solely by reference to regional protectionism. If others—such as the United States, Britain, Switzerland, Austria, Sweden and Japan—can sell manufactured goods to the Community, why can't Canada?

Any notion that the EEC may be a temporary phenomenon and that one should limit one's risks until its stability and future are more clearly assured should be dispelled. The Community is here to stay. So far as we can see, it can only expand and move farther ahead towards economic integration, though when and how, how fast and how far, remain to be seen. Certainly there are crises within the Community. There are difficulties as well as frustrations, both in the Commission and among member states. Progress may not be as advanced or as rapid as they hoped, but this should not belie the real vitality and dynamism and also the impetus in business and industry, investment and banking that have transformed the Common Market into the world's number one buyer. Trade Commissioners in each one of the posts in the Community report frequently—some of their reports appear in this issue—on the opportunities that await the initiative of Canadian exporters.

Tasks Awaiting EEC

The Community is now coming to the end of its twelve-year transitional journey. It still has before it a difficult agenda of business to transact, particularly the establishment of definitive financial regulations for the Common Agricultural Policy and of common policies on energy, transport, social and regional matters, industry, science and technology, future research and development programs of Euratom, and exports (particularly export credits insurance). In addition, there is the harmonization of national fiscal policies and legislation and the co-ordination of monetary and short-term economic policies. All these are not just items on the agenda: a great deal of groundwork has already been covered. The Community is also now facing the prospect of enlargement which raises fundamental questions which affect the homogeneity and cohesion of the present Community of the Six and the future institutional structures that may be established. Yet prospects are that the Community will move almost inevitably from a customs to an economic union. This will further advance the process of rationalization of industry, of mergers into European-sized companies, together with a European patent system. This process can only add to the further development of import demand, particularly in the industrial sector.

The Community already purchases industrial raw materials from Canada. But it is important to recognize that the EEC is determined to close the technological gap with North America. In this process, it will continue to need the whole range of North American industrial equipment, machinery and parts, particularly of the sophisticated variety. Electrical and transport machinery and parts; chemicals (including petrochemicals); aerospace equipment, components and parts, including avionics; computers and electronic equipment and components are only some of the major growth areas. We should also take into account the accompanying rise in standards of living and the increasing propensity to consume North American-type goods (particularly household appliances and equipment) and the growth of the tourist and sports goods and sportswear industries. All these represent areas where Canadian exporters should exploit existing and expanding trade opportunities. If we can compete in the United States, the world's most efficient and industrially advanced country, to the tune of $9 billion and compete successfully against its exporters in world markets, surely we could do better in the Common Market. It is a great challenge, with great opportunities.

Canada's Trade with the EEC

Sales to the Six, at $784 million last year, have not kept pace with EEC expansion; we should offer more manufactures, especially those with a high technology content.

J. K. B. KINSMAN, *Third Secretary, Canadian Mission to the EEC*

■ The EEC is the world's largest single import market. In 1967, EEC imports from third countries were valued at U.S.$30.8 billion (an increase of 90 per cent since 1958) and in 1968 the figure was $33.5 billion.

Canada's share of EEC imports is small. In 1967, we exported to Community countries $690 million worth of goods—(in 1968, $748 million). Although this represents a rise since 1958 of about 52 per cent, our share of EEC imports from third countries declined between 1958 and 1967 to 2.1 per cent from an already unimpressive 2.7 per cent. This was despite the fact that the industrialized countries of the West as a group increased their share of total EEC imports over the same ten years from 53 to 55 per cent. By comparison, our exports to the United States have increased much more and approached $9 billion in 1968, or over 25 per cent of all U.S. imports.

It is clear why the United States is Canada's biggest customer, absorbing over 60 per cent of our exports. It is not clear, however, why our sales in the EEC are still so low by comparison.

The question assumes great urgency when one considers Europe's importance to Canada. It is vital that Canada, one of the world's most important trading nations, perform well in the world's largest importing unit—and particularly in the industrial sector, which has shown the greatest growth in the EEC and in international trade generally.

Moreover, increased trade and commercial collaboration might be important to Canadian industry in a structural sense. If the Canadian economy is to compete in both North American and world trade, steady gains must be achieved in Canadian productivity. The Kennedy Round tariff cuts, by intensifying competition, will tend to encourage specialization. They will also result in an expansion of trade which may provide Canadian industry with the necessary scale. With EEC rates of duty on the order of only 10 per cent or below for secondary manufactures upon completion of Kennedy Round cuts on January 1, 1972, additional markets can be found in Europe, provided Canadian exporters recognize the opportunities existing in the EEC and are prepared to exploit them.

Europe's import needs for the next decade are not easy to project. An insight into the EEC's potential may be gained, however, by a glance at EEC import trends over the first ten years (1958-1967) of the Community's history. As Table I illustrates, the main trend was away from Canada's traditional exports. In 1958, primary products constituted 72 per cent of EEC imports. By 1967, their share had fallen to 60 per cent, although there had been an increase in value of over 50 per cent. Imports of manufactures, on the other hand, increased in value by over 150 per cent and increased their share of EEC imports to about 40 per cent.

Raw materials have traditionally been the most important of EEC imports; their value rose from $4,777

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(Ahove) A Canadian firm, Nortex Products Company, exhibited harbecues at a trade fair in Utrecht, Netherlands, and made excellent contacts. (Left) This loader manufactured in West Germany for use hy the mllitary incorporates a hydraulic winch that was made in Canada hy Gearmatic Co. Ltd. (Below, left) The same type of hydraulic winch is heing sold in the Netherlands too; for example, one has heen installed on this Dutch Channel ferry, the M.S. "Amsterdam". (Below, right) These unusual huildings have sprung up in Avoriaz, the new and fashionahle skiing resort in the French Alps, above the Morzine Valley. The housing makes use of fir plywood, red cedar lumher, shingles and shakes, all of them shipped from British Columhia.

million in 1958 to $6,750 million in 1967. Their share, however, fell from 30 to 22 per cent. To a certain extent, this reduction is based upon materials savings—the reduction of the ratio of consumption of raw materials to industrial production. This is a standard phenomenon in industrialized countries, caused basically by technological advances. A more important cause, however, has been the simultaneous and massive expansion of imports of manufactures. Because of this expansion, the share of foodstuffs in total EEC imports also fell, from 25 to 20 per cent. After raw materials, foodstuffs have constituted the main category of goods imported into the Community. Despite their drop in share, their value increased from $4,020 million in 1958 to $6,262 million in 1967. Among exports on the primary side, only energy products, which rose in value from $2,183 million to $5,067 million, also increased their share, from 17 to 18 per cent.

TABLE I

ECC IMPORTS FROM THIRD COUNTRIES 1958-1967

	Share of Market 1958	1967	Increase in value
	(per cent)		(per cent)
Food, beverages and tobacco	25	20	55
Raw materials	30	22	41
Energy products	17	18	96
Total primary products[1]	72	60	
Chemicals	4	5	150
Machinery and transport equipment	9	13	188
Other manufactured products[2]	15	20	151
Total industrial products[1]	28	38	

[1] By "primary products" we mean the products listed in Sections 0-1, 2-3, and 4 of the "Statistical and Tariff Classification for International Trade" (CST).
"Industrial products" are the goods mentioned in Sections 5, 6, 7, and 8.

[2] These are the products listed in categories 6 and 8 of the CST.

Industrial Products Lead

The most dramatic expansion has occurred in the import of industrial products by the EEC. Imports of machinery and transport equipment have expanded the most rapidly—from $1,380 million in 1958 to $4,000 million in 1967—and have increased their share of EEC imports from 9 to 13 per cent. The increase has been larger for machinery, which represents 80 per cent of this category, than for transport equipment. The expansion of industrial production in the EEC which has resulted in the purchasing in North America of plant equipment and machinery is primarily responsible. The Community has also been obliged to import a greater volume of transport equipment and special units and components from abroad even though the EEC is itself an important producer in this area.

Imports coming under the heading of "other manufactured products" also demonstrated a substantial increase, rising from $2,460 million in 1958 to $6,180 million in 1967. Most evident were increases in imports of finished textile products (93 per cent), clothing (384), footwear (309), precision instruments (308), iron and steel products (93), and non-ferrous metals (170). Imports of chemical products, which have gone up by 150 per cent, accounted for $1,535 million of the Community's imports. In 1958 the figure was $614 million.

Thus the most noteworthy development of the last decade has been the steady rise in the share of manufactures in the Community's imports. In this context, it is particularly instructive to take a look at EEC imports from the United States. Between 1958 and 1967 U.S. exports to the EEC increased about 100 per cent (Canada—53 per cent). More interesting, however, is the composition of these exports. In 1967 more than 60 per cent of U.S. exports to the Community consisted of manufactures, against 40 per cent for primary products. In 1958, the proportions were the reverse, 60 per cent of exports then consisting of primary products.

The import field which expanded most rapidly over the ten years was machinery and transport equipment, which increased from 19 to 29 per cent of EEC imports from the U.S. More than two-thirds of these imports consisted of machinery (principally electrical machinery: generators, telecommunications equipment, office machinery, circuit equipment, etc.). Imports of transport equipment consisted mainly of aircraft and parts, which made up in 1967 double the value of imports of automobiles.

By comparison, as Table II illustrates, Canadian exports to the EEC have not shown the same trend toward manufactures. Wheat has always been an outstanding Canadian item, supported by coarse grains and oilseeds. Cattle hides, furs, salmon and tobacco are consistent items. Sales of forest products are still important.

Industrial raw materials, however, have been the major Canadian exports to the EEC. Asbestos imports continue to be significant throughout the Community but aluminum, copper, nickel, steel and iron ore imports from Canada, which went heavily to Germany, have declined from earlier peaks. Zinc and lead concentrate sales to Belgium became prominent in 1964 as the Bathurst (New Brunswick) complex came into large-scale operation. Zinc and lead metal sales are rising; steel and non-ferrous metal scrap sales remain at a substantial figure.

Thus, traditional Canadian exports to the EEC of primaries have been more or less sustained. It is disquieting, however, that Canadian sales have not followed the trend toward a greater share for manufactures, as was the case for the U.S. While end

TABLE II

CANADIAN EXPORTS TO THE EEC

Products	1964	1965	1966	1967	1968
			(Cdn.$'000)		
Live animals	799	1,931	2,406	1,855	1,092
Food, feed, beverages and tobacco	165,486	180,996	172,199	177,740	142,703
Crude materials, inedible	147,116	198,190	214,165	218,524	271,277
Fabricated materials, inedible	154,940	169,265	176,944	222,040	260,414
End products, inedible	86,529	74,949	70,595	56,634	71,991
Total	**555,287**	**625,764**	**636,747**	**677,234**	**748,369**

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products have been the most dynamic area of EEC imports from third countries, purchases from Canada have remained small, amounting to less than 10 per cent of EEC imports from Canada and to under 0.4 per cent of 1967 EEC imports of end products from third countries. The share of end products in Canadian exports to the EEC in fact decreased between 1961 and 1966—despite an increase in the share of highly manufactured products in global Canadian exports from 9 per cent in 1961 to 21 in 1966 or, excluding automobiles and parts, from 8 to 11 per cent. The principal types of manufactures exported to the EEC have been related to defence programs—aircraft and components and navigation equipment. Other fairly consistent exports have been office machinery and other electrical equipment. Recently automobiles have become fairly important. The flow of consumer goods is small and includes medical preparations, furs and other apparel, and spirits.

Clearly, Canada must expand its exports to the EEC and, particularly, exploit to greater advantage the development of EEC imports of manufactures. This will assist and reward the effort in Canada to achieve both greater industrial scale and a more efficient degree of specialization, with particular attention to technology-intensive sectors.

There are general trends in the Community which suggest that the crucial fact of EEC trade over the last ten years, the continual increase in the share of industrial products in EEC imports and exports and the corresponding and simultaneous falling-off in the share of primary products, will continue. Increased industrialization, productivity gains, urbanization, (which are, of course, interrelated) all imply higher per capita income and more consumer spending as well as an expansion in industry's needs for machinery and equipment. It is fairly clear that European industry will not be able to make available the full range of consumer products liable to be in demand since increased consumer spending is generally associated with an expanding factor of diversity of goods demanded. This provides scope for Canadian exports. It is furthermore apparent that products which are North American in concept are increasingly attractive to European consumers. This trend should also benefit Canadian manufacturers.

Technology in Demand

Consumer goods are not the area in which Canada has the most to offer Europeans, however. In recent years, European experts have tardily recognized the dependence of Europe on North American technology. The EEC is generally recognized to be about 15 years behind the U.S. in technological development. It has been acknowledged, furthermore, that only U.S. enterprises have taken full advantage of the Common Market by exploiting its possibilities as a whole, principally because of the difficulties and reluctance associated with attempts by EEC corporations to merge into units of sufficient scale. Thus European industry has, because of the technological gap and the performance in the EEC of U.S. corporations, reached the point of losing the all-important capacity for innovation in the new industrial generation. A concerted attempt is being made to eliminate European weaknesses in this area.

The EEC's second medium-term economic plan is illustrative. It is non-quantitative and concentrates on defining the general lines which the economies of the EEC countries should follow jointly. The Commission recommends that the policy followed up till now should be completely reversed: aid should now go to sectors with healthy futures, rather than deteriorating ones. The EEC should concentrate on being competitive in fewer sectors composed of fewer and larger enterprises, characterized by longer production runs. Aside from substantially increased state financing of research and development in expanding "science heavy" sectors, there should be, as soon as possible, greatly expanded co-operation and co-ordination in research among governments, among companies, and among industries, as well as across academic disciplines.

This program was complemented this year by the "Plan Aigrain", a plan for a European technological community, which is briefly described on page 23. These policies should result in an EEC which is much stronger in technical terms. This is of possible practical benefit to Canada on two levels: technical collaboration, because our technology is of great interest to the Europeans, and increased sales possibilities for Canadian science-heavy products which would naturally flow from the collaboration. A major area of benefit to Canadian industry would be the positive effects that such collaboration and increased sales opportunities in advanced industrial sectors would have on the process of industrial specialization which Canadian industry appears to require in order to improve productivity, competitiveness, and our chances of improving the relative economic position of Canadians. Greater geographical diversification of economic and technical collaboration could also benefit us.

It is important, therefore, that Canadian exporters now move more vigorously into the EEC market and develop it to its full potential. Canada can only stand to gain from this.

Why Sell in the EEC?

1. It's a huge import market: 1968—$33.8 billion.
2. European Commission forecasts growth rate of 6 per cent for the EEC in 1969, compared with 5.5 per cent in 1968.
3. Canadian shipments to the EEC during the first four months of 1969 were valued some 20 per cent higher than in the same period of 1968. A continuation of this trend will result in 1969 exports of $900 million to this market.
4. EEC tariff reductions in the Kennedy Round have been reducing the rates of duty to low levels. Further stages of reduction are due on January 1, 1970, and January 1, 1971.
5. Going farther than the Community in an effort to stimulate imports, Germany is granting 4 per cent tax rebates to German importers.
6. Department of Industry, Trade and Commerce operates eight trade commissioner offices in the EEC—at Paris, Brussels, The Hague, Rome, Milan, Bonn, Duesseldorf, Hamburg.

West Germany

Canadian sales in this booming market rose 20 per cent last year. Did your firm share in this? Should it? What are the opportunities?

.. R. PARLOUR
Commercial Counsellor, Bonn

■ The German market may seem to be a paradox. Canadian sales there increased more than 20 per cent last year and seem headed for a record $300 million in the near future. Yet many Canadian exporters have yet to earn their first pfennig in this market. Some have never tried, others have tried and been unsuccessful.

As an exporter you may well ask, "Is there a slice of this $300 million pie waiting for me?" Perhaps this article will answer that question for you.

First let us take a general look at the economy of this country which has three times Canada's population and double its GNP, but an area only twice that of Southern Ontario.

All indicators show that Germany is in a boom period. Its GNP last year surged upwards by nearly 7 per cent at constant prices. Industrial production now is running 17 per cent higher than a year ago. Domestic and export orders booked by industry in the first quarter are up 27 per cent over last year, and retail sales are up 9 per cent. Unemployment has almost disappeared (0.7 per cent) with five job vacancies for every unemployed worker, and 1.3 million foreign workers employed. Strikes in Germany are rare.

In foreign trade, both imports and exports are buoyant. During March, imports were running 24 per cent above last year and exports were up 17 per cent and still rising. The country is embarrassed by a persistent export surplus which reached $4.5 billion in 1968. Last November the German Government announced changes in border taxes which had the effect of increasing German export prices by some 4 per cent and reducing the cost of imports by a like amount. In spite of this, the export surplus is now climbing back to the excessive 1968 rate. Further measures are now being applied to redress the trade imbalance, temper the boom, and maintain price stability.

Yet with all this prosperity, the German rate of inflation is estimated at only 2.5 per cent per year—the lowest for any industrial nation. Prices of industrial goods are up only 0.3 per cent from last year. This means that German prices are becoming ever more competitive and some Canadian products are being priced out of the market here.

Where the Action Is

Germany is a major industrial nation with limited natural resources. Little wonder that Canadian raw materials and the products of our resource-based industries account for about 90 per cent of our exports to Germany. Our "big ticket" items sold in this market last year were all in this category: wood pulp ($27.1 million), wheat and durum ($20.9 million), copper scrap and ore ($15.7 million), iron ore ($15.4 million), asbestos ($14.8 million), copper metal ($13.0 million), newsprint ($7.9 million), crude minerals ($7.4 million), nickel ($7.1 million), aluminum ($6.9 million), and on through brass and bronze, molybdenum ore, zinc ore, lead ore, lumber, veneers, oilseeds, furs, hides, canned beans, fish and plywood. In addition, the movement of German capital into Canadian mining and forest industries, often in joint ventures with Canadian companies, is leading to a further growth in our exports of raw materials with an assured market.

Certainly, Canadian exporters of any of these basic products don't have to be told that Germany is a natural and growing market. Our sales of lumber and plywood show good potential to be developed whenever supply and price in Canada are more favorable. More German agents are looking for Canadian suppliers of asbestos, wood pulp and nickel than there are producers in Canada. Canadian wild and ranch furs are selling well, and more opportunities are waiting for Canadian fur garment manufacturers to exploit. Some Canadian farm and sea products are hindered in access to the German market by EEC agricultural policies, import quotas, health and packaging regulations, etc. But there are sales prospects for Canadian exporters of quality honey in retail-size packs, forage seeds, certified red clover and timothy seeds of German stock, queen crab frozen in three- or five-pound blocks, small lobsters cooked and quick frozen, frozen salmon sides for smoking, herring frozen in 15-pound blocks, and Holstein-Friesian cattle and semen.

What about Manufactured Goods?

Looking at the remaining 10 per cent of Canadian exports to Germany—$25 million of fully manufactured goods—we find several areas where Canadian exporters have a special advantage, which has helped them to penetrate the German market.

One of these is in the field of defence-related products. Here it is often true that the Canadian supplier has built up a special capability in such fields as aerospace or electronics through selling to defence and space agencies in North America. Usually sales contracts in Europe are obtained under the umbrella of government-to-government arrangements. Products in this general category include navigation instruments, communications equipment, other electronic products, aircraft components, aircraft engines and parts, measuring and testing equipment. The Department of Industry, Trade and Commerce in Ottawa can furnish further information about export opportunities in this field.

Another area of special interest is auto parts. Several of the leading German automobile manufacturers have been actively searching for foreign sources of competitively priced materials and parts, especially in countries such as Canada which are their major export markets. Thus, basic materials such as sheet steel as well as many types of original-equipment auto parts are exported from Canada to be built into German motor cars which are destined for the Canadian market. The range of parts has broadened in recent years and includes tires, electric lamps, batteries, wiring kits, spark plugs, and many others. German manufacturers will consider any offer but insist that the foreign component be competitive in price and quality. They also require assurance of regular delivery which may mean that the Canadian exporter should carry stocks in Europe.

A third special category of Canadian exports to Germany is that of inter-company shipments. These often arise where a German firm has invested in Canada, a Canadian firm operates a branch plant in Germany, or perhaps a U.S. parent company has affiliates in both countries. Although this situation may be of scant comfort to an independent Canadian exporter, it should be noted that several million dollars worth of exports fall into this category, in such fields as chain saw parts; computer punch cards; cameras, lenses and optical goods; office equipment; tractor and combine parts; electronic tubes and parts.

Want to Succeed in the German Market?

■ The files of tbe Bonn office contain a number of examples of Canadian companies that were unsuccessful in the German market for a number of reasons. Perhaps it was because they forgot or failed to follow some of the essentials set out below.

1. Send all letters by airmail; surface mail is far too slow.

2. Make any sales offer in a well-phrased personal letter, not a form letter.

3. Quote prices c.i.f., specifying whether they are in U.S. or Canadian dollars and what system of weights and measures you are using (for example, square meters or square yards). Don't include provincial sales tax in calculating these prices. Don't send a German customer a price list for Canada and then ask him to calculate his own landed cost. Don't ask him what he pays for a similar product from your competitors and then request him to send samples to you.

4. Send sales literature in German if you want to make an impression, and never dispatch pamphlets obviously supplied by a U.S. company, with your own name and address stamped on at the bottom.

5. Be sure that the mailing addresses you use are correct and that the right amount of postage is used on your letters and sales literature. Be sure tbat enclosures are not forgotten. Don't ignore letters in German sent to your firm.

6. Consider doing business on cash against documents terms, not just irrevocable letter of credit.

7. Always ship according to sample and meet your delivery dates. Don't promise January delivery and ship in March. And don't refuse to accept small trial orders.

8. Don't refuse to offer goods in metric sizes or weights, and don't assume that your customers should buy what you have, not wbat they want. And don't drop all efforts to sell if you find that your product requires approval from a German standards organization.

9. If you enter a German trade fair, make sure that your stand is properly manned. If you make contact with an eager agent at one of these fairs, answer his subsequent letters quickly and encourage him.

10. Don't promise to visit your German customer and postpone tbat visit indefinitely. Don't make a firm appointment with him and cancel it a few days after the date set. He won't like it—and neither would you.

11. Don't take the attitude that the U.S. market has the first call on production and supply your German customers only if and when you find it convenient to do so.

Opportunities for Expansion

The remainder of Canadian exports to Germany cover a wide and ever broadening variety of products. Many are still being sold only in small quantities but probably this category hides some of the sales successes of the future. Some of these exports stem from our climate—ice skates, men's and women's outerwear; some from our original inhabitants—moccasins and Eskimo art; and some from natural resources—asbestos products, rock drills, grinding tools, wire cloth and screen. But many have won a place in the market purely on the merits of a good product, competitively priced, and a conscientious effort by management which has found a sales opportunity and exploited it. This broad list includes vending machines, luggage-handling equipment, pharmaceuticals, industrial machinery, carpets, work gloves, jewellery, electric meters, semi-conductors, electronic components, hand tools, valves and industrial control equipment. Other export products offering a potential for growth are in such categories as electronic equipment, specialty machinery, hospital and catering equipment, some hardware and building products, do-it-yourself equipment, sports articles and leisure-time equipment, industrial and scientific measuring and testing equipment, and space research products.

Generally speaking, the best sales opportunities in the German market are for those Canadian products falling within one of the specially favored categories described above, or having some particular advantage in design or price. Admittedly, the exporter must devote some effort and expense to entering this market compared with selling in North America. Depending on the product, he may have to arrange for translation of sales literature and correspondence; obtaining standards approval; investigating the market and channels of distribution and finding an agent or distributor; visiting or exhibiting at trade fairs; payment of extra telephone, telex, mail and shipping charges; adapting the product and its package to metric measurements, or meeting other special market requirements. The market is not one for the impatient, the disinterested or the faint-hearted. But many Canadian firms have already cleared all the hurdles and many more will do so in future. The market is big and growing bigger, German tastes are gradually turning towards North American styles and products, and a foothold in the German market may open the door to sales throughout the six-nation Common Market. With Canada as yet supplying only 1.4 per cent of the total German import market, there is ample room for expansion.

German Investment in Canada

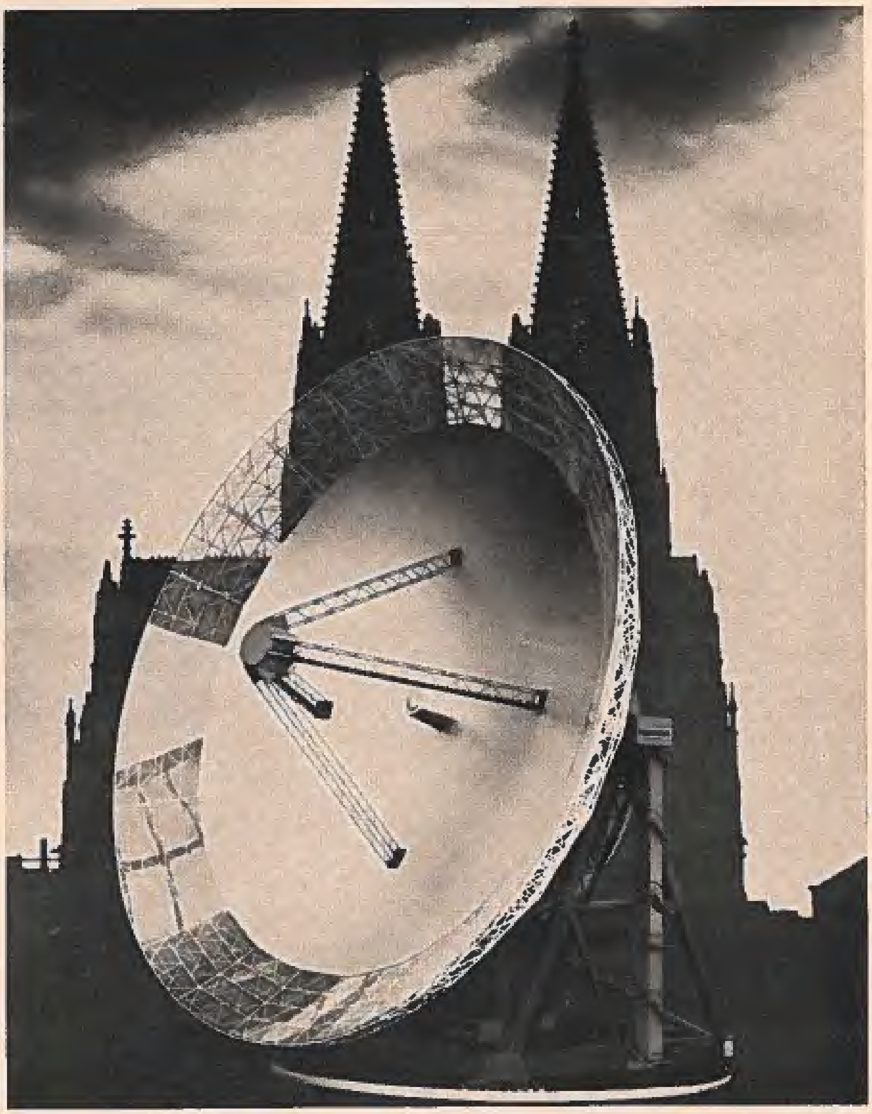
The future pattern of Canadian-German trade may be influenced by an increasing movement of direct German investment into Canadian manufacturing industries, pulp and paper, mining, oil and gas, and commercial real estate, in addition to indirect investment in Canadian securities. It is estimated that German direct investment in Canada by the end of 1968 stood at some $300 million, or about 8½ per cent of its direct investment in all countries. It is spread over more than 100 Canadian firms in such fields as ceramics, chemicals, machine tools, machinery, oil and gas, pulp and paper, potash, iron ore, optical goods, pipes and tubes, copper mining, wire and cable, and electrical equipment.

Both government and industry in Germany now openly encourage more of this direct investment abroad. The feeling is that German manufacturers have become too dependent on exports and should develop another string to their bow by building up foreign branch plants. The shortage of labor in Germany is encouraging this trend. Although German direct foreign investment in past years has been relatively small, it is increasing steadily and last year new investments totalled over $360 million. This trend may be further reinforced by a shift in Germany's long-term capital exports from purchase of foreign bonds to direct investment abroad by German business and industry. Further, the Government is considering a program to encourage direct investment abroad through credits and tax relief.

Finding Business Partners

Under this program, business investment in Western countries would be fostered by a new government-supported Investment Promotion Organization which would participate in the financing of foreign ventures by German firms. Already more German firms are planning expansion into Canada, while Canadian manufacturers requiring foreign capital and know-how may turn increasingly to Germany for interested business partners. Recent experience has shown that a specific Canadian investment opportunity, well researched and documented, stands a better chance of finding an interested German investor than does a more general listing of the economic attractions of a particular area of Canada.

On the other side of the coin, some Canadian firms have already found that investment in Germany may be the answer to consolidating their position in the EEC market. Today Canadian investment is found in German aluminum fabricating, farm equipment, meat packing, distilling, paper converting, chain saws, supermarkets and metal refining. Such investment can create new customers for our raw materials and components.



The old Germany and the new are contrasted in this photograph that superimposes a picture of a paraholic reflector, part of the world's largest mohile radiotelescope, to he used in space research, on a photograph of a Gothic cathedral, a survival from the mediaevai age of faith, silhouetted against the evening sky.

The Netherlands

Canada's second largest customer in the EEC, Holland offers capable agents, facilities to service other markets, opportunities for joint ventures or licensing agreements—and keen competition.

D. H. CHENEY, *Commercial Counsellor, The Hague*

■ The Netherlands was Canada's second largest customer in the EEC in 1967, a mere $1.5 million behind the Federal Republic of Germany. Although our shipments to Holland last year rose by less than 2 per cent, the Dutch market retained its position of importance for Canadian exporters to the Community. In the ten years 1958 to 1968, Canadian sales to the Netherlands have increased from $74.7 million to $179.5 million, or an average of 14 per cent a year. This means that the average Dutchman more than doubled his individual purchases of Canadian products in that period from $6.80 to $14.00, allowing for population growth from 11.3 to 12.8 million.

This may at first glance appear to be a satisfactory record, but our complacency rapidly disappears when we discover that U.S. sales to this market last year jumped 14 per cent over 1967, surpassing the 11 per cent increase in Dutch imports from all sources. Moreover since 1958, the year after the signing of the Rome Treaty, Netherlands imports from other member countries of the EEC have expanded from 42 per cent of its total foreign purchases to more than 55 per cent. Substantial increases in exports to the Netherlands were also achieved last year by Britain and Sweden. Clearly our sales are not keeping pace with the growth of this dynamic and expanding market. Where are the opportunities?

The principal products figuring in Holland's import expansion in 1968 were automobiles and trucks, machinery, chemicals, knitted goods and textiles, timber, oil-bearing seeds, and optical instruments. Table I outlines Dutch imports for 1967 and 1968 in more detail.

Canadian exports to the Netherlands continue to be heavily concentrated on primary products: wheat and grains, metal ores and concentrates, refined metals, timber, plywood, pulpwood, wood pulp, industrial chemicals, oilseeds, hides and skins. However, there is a growing list of manufactured consumer and industrial products, including preserved and prepared foods, newsprint, reproduction and writing papers, textile fibers, yarns and fabrics, special industry machinery, electrical and electronic equipment, and scientific testing equipment. Substantial sales of aircraft and engines relate primarily to the Canada-Netherlands arrangement for manufacture of the NF-5 fighter plane, which is now in full swing.

New commodities imported from Canada which came to our attention during 1968 included air-conditioning and ventilating equipment, household hardware, insulating paper for the building industry, acoustical ceiling panels, food supplements for sportsmen, barbecue sets, plastic folding chairs, aluminum lamp shades, wood louvered doors, fountain equipment, disposable tissues, fur hats, sauces and relishes, salad dressing, and jewellery. We see excellent opportunities for sales of materials handling equipment, building materials and hardware, scientific, medical and laboratory equipment and we would welcome inquiries from Canadian suppliers.

Table II provides a more detailed breakdown of Canadian exports to Holland in 1967 and 1968.

Tariffs and Competition

Traditionally the Netherlands has been a low-duty country and since the creation of the Common Market duties have generally risen to meet the higher Common External Tariff rates. To be sure, the Kennedy Round of negotiations secured phased reduction of from 30 to 50 per cent from these levels, which will be achieved by 1972. Of course, as of July 1, 1968, goods exchanged between the member countries became duty-free. Thus the Dutch market will remain highly competitive. Canadian suppliers will have to vie on the one hand with strong Italian and German competitors enjoying free entry and on the other hand with those of third countries such as the United States and Japan, which are on an equal footing with us. There are other problems, such as complying with prescribed product standards and satisfying more conservative consumer tastes and preferences. Nevertheless, some enterprising Canadian firms are overcoming these obstacles and the opportunities are still exciting.

With their rising standard of living and personal incomes and with more leisure time the Dutch, like other Europeans, are alert to new products devoted to recreation. Last year our office recognized a potential market for outdoor barbecues and made contact with a Dutch agent who was keen to break into the market. We approached a Toronto firm. In the ensuing months the Dutch agent made good sales. With his Canadian stock, he now offers the widest assortment of barbecues of any outlet in the Netherlands. Prospects for 1969 and the future are bright.

Representation Here

With a population of 12.8 million compressed into an area of only 13,000 square miles, the Netherlands is the most densely populated country in the world. All major cities are within easy reach and consequently one representative is all you need to cover the country. It is important in fact that only one agent be appointed or that sales be made to only one importer—except, of course, when you make two or more products which are sold to different types of consumers. We have inquiries on hand from many excellent agents and importers and will gladly put you in touch with them.

It is preferable to engage a commission agent if your products are sold primarily to large accounts such as wholesalers, department and chain stores. Agents generally insist on a trial period of at least one year. If you sell to smaller retailers, it will be more to your advantage to use the services of an importer/distributor who buys for his own account. It is also important to have a Dutch agent because many unnecessary problems can arise when you are working through someone living outside the country.

Exposure in the Market

A most effective means of finding a good representative, supporting him in the market, and bringing your product to the attention of potential users is to participate in trade fairs. There are a number of excellent fairs in Holland, primarily in Amsterdam and Utrecht. From April 10-19 the Government of Canada participated officially with a large stand in the Netherlands Building and Heating Exhibition at Utrecht. Several of the 16 exhibitors secured representatives for various European markets, hundreds of inquiries were received, and projected sales of nearly two million dollars were secured. Many of the displays were manned by Dutch agents who were most enthusiastic about the support for their sales efforts.

Warehousing and Distribution

The Netherlands offers unique advantages as a jumping-off point for sales throughout Europe, using the warehousing and transit distribution services of its two principal ports, Rotterdam and Amsterdam. Rotterdam is now the largest and busiest port in the world and the major transshipment and storage center for bulk as well as manufactured and semi-manufactured products. Several Canadian firms have established warehousing, servicing and forwarding facilities there to cover the European market. There is excellent and efficient

TABLE I

WHAT THE NETHERLANDS IMPORTS

	1967	*1968*
	(Cdn.$ million)	
Total imports	**10,060.3**	**11,213.0**
of which		
Cereal and cereal preparations	327.0	345.5
Fruits and vegetables	231.0	235.4
Coffee, tea, cocoa, spices and their products	247.1	279.7
Animal feedingstuffs (excluding cereal)	164.8	225.2
Oil-containing seeds, nuts and kernels	136.8	179.6
Timber and cork	193.6	225.5
Textile fibers and waste, rags	154.0	145.6
Natural fertilizers and crude mineral products (excluding coal, petroleum, precious stones)	144.5	176.9
Metalliferous ores and metal scrap	172.0	152.5
Coal, coke and briquettes	146.3	150.5
Crude petroleum and petroleum products	894.3	981.4
Chemical products	793.5	923.3
Paper board and manufactures	192.0	226.0
Textile yarns, fabrics and madeup articles other than clothing and footwear	550.1	652.8
Manufactures from non-metallic minerals	231.1	250.6
Iron and steel	518.8	524.4
Non-ferrous metals (including silver, platinum)	253.3	319.1
Manufactures of metals	281.8	307.8
Machinery other than electric	969.7	1,058.7
Electric machinery, apparatus and appliances	742.9	792.7
Transport equipment	698.9	864.0
Clothing (including furs)	326.2	384.4
Scientific instruments, photographic and optical goods, watches and clocks	155.5	174.4

TABLE II

WHAT THE NETHERLANDS BUYS FROM CANADA

	1967	*1968*
	(Cdn.$'000)	
Total exports	**176,431**	**179,525**
of which		
Salmon, fresh/frozen/dressed/smoked	495	634
Salmon, canned	1,242	982
Other fish and shellfish, canned/fresh/frozen/preserved	290	327
Skim milk powder	3,051	650
Rye	1,989	205
Wheat	47,232	39,287
Prepared and preserved foods	857	318
Liquor and spirits	95	142
Tobacco and cigarettes	286	242
Hides and skins	2,314	2,524
Oilseeds	13,051	6,935
Pulpwood	2,645	2,633
Metal ores, concentrates and scrap	27,962	30,437
Asbestos	2,831	4,581
Non-metallic minerals	634	1,678
Lumber (including veneer)	3,046	4,535
Softwood plywood	2,003	3,891
Wood pulp	14,727	21,876
Newsprint	2,833	775
Writing and printing papers	501	512
Yarn, thread, textile fabrics	666	1,054
Industrial chemicals and fertilizers	14,803	15,451
Industrial chemical specialties and explosives	643	1,916
Primary metals, alloys and products	9,817	12,905
Engines, turbines, industrial machinery and parts	2,049	3,086
Aircraft and parts	1,471	8,883
Electronic and communication equipment and parts	1,108	2,153
Heating and fuel-burning equipment	237	182
Measuring, testing, medical and navigational instruments	1,451	1,394
Hand tools and parts	221	257
Opthalmic lenses	52	160
Photo film and plates	242	268
Military weapons and ordnance	537	1,557
Tallow	1,664	1,741

rail, road and water transportation connecting all major European distribution centers and the modern international airport, Schiphol, just south of Amsterdam, provides the ultimate in handling airborne cargo. Strikes and work stoppages are extremely rare in Holland and this ensures fast delivery of your goods to customers.

Consumer Acceptance

The Dutch are inclined to be more conservative than North Americans and hold to traditional models, styles and designs which are familiar in Europe. So if your product represents a departure from the familiar, it may not "take" as quickly as you feel it should and unless you can alter it to suit local tastes, it may not sell at all. On the other hand, there is an eager market for products which, although unknown, present obvious advantages over traditional lines. Canadian products in this category that are now selling well in Holland include outdoor barbecues, acoustical ceiling panels, asphalt roofing shingles, wood louvered doors and single- and double-glazed aluminum windows.

Another route to consumer acceptance is co-operation with your agent or importer in an advertising program. Large numbers of consumer products are advertised regularly in newspapers and trade magazines, on radio and television and in the cinemas and many shopkeepers will only stock those products which are promoted in this way. It is also most important to quote prices c.i.f. Netherlands port whenever possible.

Another Woy

When your product is unable to compete directly in the Dutch market because of prohibitive tariffs, indirect trade barriers or distance from the customer, you may still profit from European economic expansion and gain a foothold in the Common Market in several ways. You can participate jointly with a Dutch company in a manufacturing or business enterprise by providing one or more of the elements of capital, technology and management. You can establish a wholly-owned branch or subsidiary or you can arrange with a competent Dutch firm to manufacture your product under licence. A Netherlands location for any of these activities has built-in advantages. As a result of its geographic position and historic dependence on foreign trade, Holland is a specialist when it comes to doing business with overseas countries. The country has excellent connections by air, water and land routes with its EEC neighbors. Moreover, as the world's most multilingual people, your Dutch associates can handle sales programs in any European country without problems.

TABLE III

NETHERLANDS ECONOMIC AND MARKET TRENDS THROUGH 1970

Sector	**Expected Rate of Annual Increase**
	(per cent)
Wages (average increase per worker)	+ 7.0
Prices	
General	+ 3.2
Chemicals	No change
Services	+ 5.0
Gross national product	+ 4.8
Labor productivity in industry	+ 3.9
Private consumption	+ 4.1
Government consumption	+ 2.5
Public investment	+ 9.6
Private investment in fixed assets	+ 5.7
Exports	+ 8.1
Imports*	+ 7.1
Industrial production	
Chemicals	+11.9
Electrical engineering	+ 8.7
Foodstuffs	+ 3.2
Clothing and footwear	+ 2.3
Private savings	+15.5
Working hours in industry	− 2.5

*According to the Netherlands Economic Information Service, the increase in imports of consumer goods is expected to be "appreciable".

In 1967 our office assisted a Dutch building consultant in planning visits to a number of Canadian firms. During this trip he made contact with a manufacturer of aluminum windows. A licensing agreement was subsequently concluded between this firm and N. V. Lichtwerk of Hoogeveen, one of Holland's most important metal products fabricators. Lichtwerk is now in full production of the windows, using some aluminum components from its Canadian associate. The prospects in the Netherlands and other parts of Europe are very encouraging following the first year of operation and orders continue to come in. The Dutch firm took part in the Canadian exhibit at the 1969 Building and Heating Exhibit in Utrecht and reports that the response from potential buyers was "tremendous".

P. H. Plastics (1965) Inc. of Lauzon, Quebec, manufacturers of sliding windows incorporating extruded plastic track and Western red cedar framing and sills, has also concluded a promising licensing agreement with a Dutch joinery firm. The Dutch firm uses plastic track imported from Canada and locally purchased Canadian Western red cedar. Its windows are sold through a major Dutch timber importer and supplier of construction materials. These windows were also exhibited at the Utrecht Building and Heating Exhibition with great success.

The Lufkin Rule Company of Barrie, Ontario, is now completing construction of a manufacturing plant in northeast Holland, taking advantage of national and municipal incentives for the expansion of industry in less developed areas of the country. It will produce various types of metal rules and tapes using its advanced technology in this field.

A handful of Canadian firms have established branch factories here while a few others producing wood pulp, building hardware, and windows have developed a financial interest in Dutch companies. On the other hand, there are more than five hundred U.S. firms operating here, 350 of them in the chemical and metal industries alone, and their numbers are growing daily. Complete and detailed documentation on establishing a business enterprise is produced by the Netherlands Ministry of Economic Affairs and the Netherlands banks. The Netherlands-Canada Chamber of Commerce is also active in this sector. The Hague office is in close touch with all of these organizations and will be pleased to help you get started. So, if you can't beat 'em, join 'em!

The tremendous economic expansion of Western Europe is still gathering momentum. One way or another, your company should be in on it. As Table III shows, the Netherlands offers the key to the front door.

BLEU

After a period of slow economic growth, BLEU has resumed the brisk pace of the early 1960's. Canadian exports did well here in 1968.

CLAUDE T. CHARLAND
Commercial Counsellor, Brussels

■ Belgium and Luxembourg linked their economies in the Belgo-Luxembourg Economic Union (BLEU) in 1921. The Union is now the world leader in trade per capita.

For BLEU, 1968 was a year of strong recovery with a revival of activity in practically every sector of the economy. It marked the end of a prolonged slowdown and signalled the resumption of forward movement. Foreign trade expanded vigorously—both exports and imports registered increases of 16 per cent—and this was one of the main factors which got BLEU on the move again after the period of slow growth that had prevailed since the boom of 1960-64.

Under the stimulus of brisk external demand and a combination of internal forces (led by increased expenditures on public works) the Belgian economy expanded faster and on a wider front than had been anticipated. The GNP was originally expected to rise 3 per cent in 1968 but the increase now looks more like 4 to 4.5 per cent, compared with 3.5 in 1967, 2.8 in 1966, 3.9 in 1965, 6.9 in 1964 and an average of 5.4 per cent in the 1960-64 period. Growth has shown no signs of slackening off so far this year and a 4.5 to 5 per cent increase is predicted for 1969. Imports into BLEU are likely to continue at their present level but consumer goods may represent a larger share than they did last year.

Thanks to improved conditions in the economies of BLEU's main trading partners, Belgian export trade scored impressive gains both in Europe and other markets. This was particularly important because BLEU depends on exports for 40 per cent of its GNP and 70 per cent of its industrial production.

BLEU's imports, which represent 37 per cent of the GNP, have more

BLEU'S MAIN SUPPLIERS

	1967	*1968*	*Increase from 1967*	*Share of Total 1967*	*Share of Total 1968*
	(Bfr. billion)		*(per cent)*		
West Germany	75.9	86.6	+ 14.1	21.2	20.8
Netherlands	54.0	60.8	+ 12.6	15.1	14.6
France	53.2	63.6	+ 19.5	14.8	15.2
Italy	16.2	17.9	+ 10.5	4.5	4.3
Total EEC	199.3	228.9	+ 14.8	55.6	54.9
Britain	25.1	30.1	+ 19.9	7.0	7.2
Total EFTA	44.3	51.1	+ 15.3	12.4	12.3
United States	29.5	34.5	+ 16.9	8.2	8.3
Congo (Kinshasa)	12.8	16.3	+ 27.3	3.6	3.9
Other countries	72.9	85.9	+ 17.8	20.2	20.6
Grand Total	**358.8**	**416.7**	+ 16.1	**100.0**	**100.0**

Source: Institut National de Statistique, Brussels.

TRADE BETWEEN BLEU AND CANADA

Year	**Exports to BLEU**	**Imports from BLEU**
	(Cdn.$'000)	
1960	69,132	41,401
1961	76,055	44,780
1962	68,169	48,682
1963	76,474	47,342
1964	100,535	59,188
1965	128,011	72,030
1966	117,505	61,652
1967	100,800	64,620
1968	127,380	57,520

Source: DBS

TOP TWENTY CANADIAN EXPORTS TO BLEU

	1966	*1967*	*1968*
	(Cdn.$'000)		
Lead and zinc	27,715	27,995	27,936
Copper, brass, bronze	1,552	3,241	20,576
Wheat	33,617	24,566	17,646
Lumber, pulp, paper	8,051	7,842	9,579
Silver	2,294	1,424	8,991
Asbestos	5,822	6,082	8,563
Aluminum	1,960	5,477	4,742
Vehicles, engines, parts	4,456	997	3,728
Fish and fish products	2,419	4,094	3,222
Iron ore	674	—	2,057
Chemicals and plastics	1,440	1,161	1,917
Industrial machinery and equipment	2,117	2,204	1,842

	1966	*1967*	*1968*
	(Cdn.$'000)		
Non-metallic minerals, n.e.s.	1,170	929	1,801
Textile fibers, fabrics, clothing	944	622	1,695
Plastic and synthetic rubber	790	1,386	1,495
Seeds	5,625	1,259	1,381
Dairy products	—	84	1,231
Biological, pharmaceutical, medical products	1,510	1,555	1,070
Meat and meat products	915	907	1,069
Non-ferrous metals, alloys, n.e.s.	—	253	712
	103,071	**92,078**	**121,253**
Other exports	14,434	8,722	6,127
Total	**117,505**	**100,800**	**127,380**

Source: DBS

than doubled in value since 1960 and showed a substantial increase again last year. They exceeded exports and totalled B.Fr. 416.7 billion (over Cdn. $8.3 billion). On a geographical basis imports showed few changes in 1968. West Germany (20.8 per cent), France (15.2), the Netherlands (14.6), the United States (8.3) and Britain (7.2) were the main suppliers. Purchases from non-EEC sources increased slightly and accounted for 45 per cent of total imports.

The commodity composition of BLEU imports remained essentially the same but the improvement in industrial activity strengthened the demand for imports of primary materials (up 18 per cent) and capital equipment (up 6 per cent). Imports of consumer goods also increased (up 15.6 per cent for durables and 9.9 per cent for non-durables). There were particularly large increases in minerals (27 per cent higher), transportation equipment (21.5), and chemical products (19.7).

Canadian Exports

Canadian exporters took advantage of the improved state of the Belgian economy and got a share of the extra business. Last year, Canadian sales to BLEU climbed 26 per cent over 1967, spurting ahead to $127 million (slightly under the record figure of Cdn.$128 million in 1965). Spectacular increases were recorded in shipments of metals and minerals, but the makeup of Canadian exports remained essentially the same, with three main commodity groups making up 88 per cent. Ores, minerals and metals accounted for over 60 per cent of our total exports to BLEU; agricultural and fish products and lumber and pulp and paper represented a further 28 per cent.

On the basis of official Belgian statistics, the Canadian share of the BLEU market increased from 1.26 per cent in 1967 to 1.30 per cent in 1968 and Canada retained its tenth position among foreign suppliers.

The pattern of Belgian imports from Canada is not expected to change drastically in coming years and the bulk of our exports are likely to consist of industrial raw materials and basic foodstuffs. But Canadian exporters should look beyond these traditional items and remember that BLEU also represents a substantial low-tariff market for manufactured products and consumer goods.

There are good sales prospects for highly specialized types of industrial machinery, with emphasis on labor-saving devices; sophisticated electronic equipment in fields such as telecommunications, nuclear and space research; special defence products and components; airport and aerospace equipment; building materials; scientific and medical equipment; food specialties; clothing with a novelty appeal; leisure equipment, and generally speaking, products which are new or unique and can be offered at competitive prices.

Joint Ventures, Licensing

When Canadian manufacturers find it difficult to export finished products, they should look at the potential market for components and the licensing of knowhow. A more direct approach is for Canadian manufacturers to set up local manufacturing facilities, either alone or as a joint venture. Belgium has been particularly successful in attracting foreign investment, largely because of its location and its liberal investment incentive program. The Belgian Government has placed increased emphasis on foreign investment with a high technology content and particularly encourages such joint ventures and licensing agreements. A good indication of official thinking is the recent decision by the Société Nationale de Crédit à l'Industrie (SINCI), the principal semipublic agency for aiding foreign investors, to supply up to 100 per cent of external financing in certain circumstances. An increasing number of Canadian companies have resorted to this approach, setting up a branch plant or arranging for their product to be manufactured under licence. They find that they can give better service to their Belgian customer and are well placed to cover the entire EEC market from their Belgium-based operations.

A major feature of the current expansion in BLEU has been the massive investment in capital goods and industrial machinery to update plant equipment and modernize production methods. This offers a real challenge. Performance, delivery and service are often as important as price and if all are right, any sector of the market is open to successful penetration by Canadian manufacturers.

Market for Consumer Goods

Belgium and Luxembourg are among the richest countries in Europe, with an average per capita income of more than $1,600 in 1967. The rising standard of living has created a keen appetite for imported consumer goods, but to sell to the Belgians the product and price must be right. A professional approach is needed and marketing methods must always be tailored to exacting requirements. BLEU is indeed one of the most competitive, sophisticated and rewarding markets in the world.

International Loans Announced

Road improvements in the Congo—The International Development Association will provide a $630,000 credit to the Republic of the Congo to finance final engineering of the 90-mile Sibiti to Zanaga road, also an economic feasibility study and (if appropriate) detailed engineering study for upgrading the 27-mile Pointe Noire to Bondi road. The first road would serve the forest industries and the second the area where potash will be mined, although the potash itself will be moved by rail. The Congo Government intends to retain the Bureau Central d'Etude pour les Equipments d'Outre-Mer to carry out the studies.

Power distribution in Trinidad—The World Bank will lend the Trinidad and Tobago Electricity Commission (T & TEC) $2 million to finance the foreign exchange costs of its 1969 and 1970 transmission development programs. Local costs of about $1 million will be financed by T & TEC. The program comprises the erection of 30 miles of new 66 kv. transmission lines and rehabilitation of existing lines; the erection of 44 miles of 33 kv. distribution lines; the installation of eight new 33 kv. substations and the expansion of three existing ones, and some lower voltage works. Procurement will be on the basis of international competitive bidding.

(Above, left) A German customer listens intently as one of Canada Packers' office staff at Hamburg explains the quality and flavor of York caooed cherries at the Green Week Exhibition at Berlin. (Above, right) The new Amsterdam Esso Motor Hotel uses acoustical ceiling tiles made by CIP Panelboards Ltd., over the entire lower floor. (Below, right) louvered bifoldiog doors made by Lloyd-Truax are used for the 265 bedrooms. This type of door is oew to the Dutch. (Ceoter, left) From Moyer Diebel Metalcrafts of Jordan, Ootario, comes this automatic veoding machine (right) that dispenses eight differeot selections of coffee, locluding four Espressos, two types of soup aod hot chocolate to workers in a German factory. The smaller machioe on the left dispenses four selections of coffee and also hot chocolate.

France

The economy has made great strides since the setbacks in the spring of last year. Canadian sales of advanced equipment could be increased and there are interesting possibilities in other fields also.

C. O. R. ROUSSEAU, *Minister-Counsellor (Commercial), Paris*

■ If you can imagine what the Canadian economy would be like after two months of total inactivity and the outflow of a large percentage of the gold and dollar reserves, you can understand what France faced last year.

France after the May-June upheaval was like a once prosperous business suddenly left with nothing but its plant, petty cash, and the determination of its directors to climb back on top again.

After the violence subsided, the Government had to get people back to work. To do so, it had to sign the "Accords de Grenelle", a labor agreement which increased employee income by 15 per cent. Costs associated with the shutdown and increased wages led to the prediction that it would take 18 months for France to recuperate fully. To get the economy rolling, credit was eased, aids were given to exporters, quota restrictions were put on imports of textiles, steel products, electrical appliances and cars, and the payroll tax was lifted to curb unemployment and stimulate production. Many were amazed at the surprising resiliency of an economy which had been so severely battered.

By July/August 1968, industrial production was back to its pre-strike level and during the last half of the year it rose at an annual rate of 13 to 14 per cent. Even so, French industry, after having been inactive for two months, found it difficult to meet the demand.

The unfavorable trade balance is continuing and is draining approximately $70 million a month from the French foreign exchange reserves. The French Government, with the measures taken in the fall, hoped to have its foreign trade in balance by the end of 1969. However, the results so far show that it is unlikely to achieve that goal.

THESE EXPORTS HAVE BEEN INCREASING

	1966	*1967*	*1968*
	(Canadian dollars)		
Essential oils natural and synthetic	4,000	15,000	21,000
Phenols, phenol alcohols and derivatives	—	10,387	14,000
Insecticides and rodenticides	—	3,622	73,000
Nickel anodes, cathodes, ingots, rods	2,254,422	2,960,804	6,218,000
Magnesium	286,338	281,764	329,000
Locks, keys and parts	43,865	75,362	93,000
Abrasive paper and cloth	25,853	33,187	39,000
Flooring and wall covering	—	4,377	26,000
Packaging machinery and parts	3,444	11,430	19,000
Foundry equipment	25,871	71,775	70,000
General purpose industrial machinery and parts	4,588	13,027	22,000
Hoisting machinery and parts	519,349	619,198	727,000
Cutting tools for metalworking machinery	1,523	3,941	8,000
Rubber industry machinery	27,394	40,081	45,000
Commercial communication equipment	21,919	95,110	239,000
Electronic tubes and parts	14,000	17,000	21,000
Electric lamps, bulbs and tubes	61,253	92,671	198,000
X-ray and related equipment and parts	—	104,930	107,000
Medical and related instruments, equipment and parts	58,180	62,356	180,000
Laboratory optical instruments equipment and parts	69,190	51,977	90,000
Sporting recreation equipment and parts	17,202	24,307	51,000
Photographic equipment and supplies	57,296	101,465	112,000
Wood pulp, bleached sulphate	2,560,708	5,346,167	7,263,177
Wood pulp, sulphate semi-bleached	363,079	812,357	1,285,751
Sanitary paper	—	16,678	72,275
Wrapping paper, unbleached	—	13,992	28,737
Corrugating container board	228,395	430,170	670,157
Building paper	55,457	127,430	319,823

Source: DBS.

Currency Problems

This worsening trade deficit, fear of inflation, and other internal reasons touched off a chain reaction that led to a serious outflow of francs in November. Most of these funds found their way to Germany, where the expected revaluation of the mark created a great attraction. Refusing devaluation, the French Government reduced its spending, tightened up credit, increased the sales taxes, and imposed exchange controls. These measures were meant to reduce internal consumption, stimulate exports and protect the franc.

Maintaining a sound currency is one of the main objectives of the French Government and although the foreign exchange reserves have been reduced by half since last year, they are still estimated at the $3.5 billion level, which is regarded as sufficient for monetary support. It must be remembered that the French Government can count on approximately twice that amount from international sources such as the IMF, should it feel that greater reserves are required to uphold the currency. The franc, not being a reserve currency, is not under the same international pressure as the dollar and sterling and therefore can more easily weather the impact of external forces.

In spite of these problems, during the last few months the economy has continued to expand far faster than was expected after the surge forward in the last half of 1968. It now looks as if the year-on-year growth of real gross national product in 1969 will be about 7.5 per cent, as opposed to an upper range of 6.5 per cent predicted by the Organization for Economic Co-operation and Development at the turn of the year.

Canada Attracts Attention

In the last few years, and especially with Expo 67 and Terre des Hommes, Canada has received considerable publicity in France. Not only has this publicity helped Canada to become better known, it has also assisted the sale of many new products in this country. French and Canadian businessmen are taking another look at each other's markets and this has led to new French investment in Canada and more Canadian businessmen visiting France. Canadians are finding that the French market is a large one and can be rewarding. The following paragraphs discuss some of the trade opportunities in specific fields.

Raw Materials—In the next few years, we can expect an increase in our raw material exports to France. Many of our metals and minerals will, however, encounter increased competition from new mines (some of them French-owned) in the developing countries of Asia and Africa.

Agricultural Products—France is an exporter of agricultural products and more a competitor than a customer. Some products for which there is a small market are subject to import controls: among these are pickles, certain fruits, vegetables, juices, and various fish products.

Canadian Holstein-Friesian cattle were first introduced in France in 1965 and have generated widespread interest. Authoritative sources are convinced that France will become a regular importer, taking several hundred animals a year.

Certain meat offals are always in demand; so are quality Canadian honey, frozen salmon, freshwater fish and all types of shell-fish. Other products selling well are basic products used in the pharmaceutical and perfume industries, such as castoreum pods, frozen horse hearts, balsam oil and cod bile. Canadian exporters could certainly increase sales if they pushed harder.

Telecommunications—Efforts to increase our exports to France should not be confined to raw materials and semi-manufactured products. We should pay special attention to promoting highly sophisticated technical products and taking advantage of any fields where we have a technological lead.

Telecommunications are a case in point. Investment in the system has been inadequate and service has not kept up with the times. The advent of large-scale data transmission and computer-to-computer conversations has made revamping the system imperative. The French Government estimates that $5 billion will be required to modernize it fully. The objectives include increasing the number of subscribers threefold, the number of telex users sixfold, and the number of data transmission terminals a thousandfold.

Until now it has been virtually impossible for foreign suppliers to sell anything to the French Post Office for its telecommunication network. Now, however, the Minister has publicly admitted that the task is so big that co-operation between French and foreign electronics firms will not be ruled out. The potential will be very large for such things as data acquisition and transmission systems, control devices, data terminal equipment, and switching systems. Many of these will be built in France but might contain foreign components and use foreign knowhow.

Advanced Production Equipment—Although many French factories are as up-to-date as any in the world, others are finding that they are too outmoded to compete in the Common Market or are simply too small to exploit the possibilities which the disappearance of internal barriers has created. French industrialists are beginning to look to new sources for the advanced technology and sophisticated equipment they need. Several Canadian manufacturers of materials-handling and industrial process equipment are doing a good business. Others who make sophisticated highly automated equipment would be well advised to contact one of the Trade Commissioners in Paris. They are always anxious to help you land that important first order.

Educational Equipment—Comprehensive educational reforms have opened up a large market for audio-visual aids and language laboratories. There does not seem to be any real reason why more Canadian firms cannot sell to France.

Medical Equipment—The French Government is working to improve the currently uneven level of treatment in French hospitals. A large modernization program is now under way. The decision to make use of modern technology on a much larger scale and to tackle financing problems has created an interesting market for highly specialized medical equipment. European suppliers are in it already but there is still a place for Canadians offering advanced equipment of high quality.

Worth Investigating

We have chosen only a few of the many fields in which we feel Canadians are missing a bet. There are plenty of others and Canadian exporters of other products would find it worth their while to have another look at France.

The table on page 16 lists some of the products which have achieved steadily increasing sales in France during the last three years. It is not comprehensive and many of the dollar values are still fairly small, but it does illustrate the range of products which we sell in France. There's room for your product too.

The EEC's External Trade Policy

Bilateral trade agreements and agreements of association have been concluded with a number of countries; others are being negotiated.

YVON JAURON
First Secretary, Canadian Mission to the EEC

■ Before we can give a comprehensive picture of what the EEC has accomplished over the past ten years, the relations it has established with the outside world need to be remembered. Even if the preparations for an economic and, a fortiori, political union have so far made scarcely any headway, the EEC is none the less an influential political and economic force. The Kennedy Round negotiations in Geneva provided ample evidence of the importance of the EEC, the largest import market in the world.

The Treaty of Rome did not specify the conditions under which the Community might establish special relations with third countries and as a result, those it has established with the outside world have taken varied forms. For instance, some countries wish to become members of the Community, others intend to associate themselves with it, and still others conclude bilateral agreements with it.

Bilateral Agreements

The Community has either concluded or is currently negotiating bilateral trade agreements with several countries. Thus far, it has concluded three. The one between Iran and the EEC provides for certain products, such as carpets, caviar, grapes and apricots, to benefit from preferential conditions of access to the Community market. The agreement concluded with Lebanon, whereby both parties offer each other most-favored-nation treatment, also provides for technical aid to that country. A third and non-discriminatory agreement concluded with Israel provides for tariff reductions on 21 industrial and agricultural products exported by that country to the EEC. In 1966, Israel requested that its trade agreement be replaced by an agreement of association. Negotiations have not yet begun, however, because of differences of opinion among the Six about the timeliness of opening negotiations in view of the Middle East situation.

Last March the Community concluded partial agreements with Tunisia and Morocco, countries whose exports have traditionally enjoyed preferential treatment on entering the French market. These two countries were desirous of obtaining the same advantages in the other Community markets. Under these agreements, the EEC grants preferential treatment on entering the EEC to a wide range of farm products from those two countries and is putting an end to quantitative restrictions on most industrial products. The close economic relations between France and Algeria have so far made it difficult to conclude an agreement between Algeria and the Community as a whole. Each of the member countries is continuing for the time being to apply widely differing trade policies to products of Algerian origin.

Five other countries have requested special economic relations with the EEC: Austria, Spain, Cyprus, Malta and Yugoslavia. With Austria, problems of a political nature primarily connected with its neutral status have impeded the progress of the negotiations in no small way. Discussions are under way at the present time on a preferential trade agreement with Spain, and the EEC Council of Ministers may soon be able to give the European Communities Commission mandates for negotiations covering the applications from the Maltese and Cypriot Governments.

For its part, Yugoslavia is striving to obtain a long-term trade agreement so as to reduce the deficit in its trade with the EEC. Difficulties still remain insofar as the provisions of the future agreement on farm products, and especially on baby beef, are concerned. It is of interest that the Yugoslavian request to establish special trade relations with the Community amounts to recognition of the legal existence of the EEC—the other countries of Eastern Europe persistently deny such recognition. We might add that since 1961 Switzerland and Sweden have been asking for a system of association with the EEC to be established compatible with their traditional policy of neutrality. Their request, unlike that of Austria, has so far not been followed up by negotiations between the EEC and these countries.

Agreements of Association

The EEC has concluded agreements of association with Greece and Turkey. By virtue of the Athens agreement in force since 1962, Greek exports of industrial products, tobacco, fruit and vegetables henceforth are exempt from duty on entering the Community. On the other hand, the Six have allowed Greece up to 12 years—and in certain cases 22 years—to remove customs duties levied on Community products entering Greece. Subsequent to the 1967 political events in Greece, some provisions of the agreement of association for standardization of agricultural policies were suspended and the financial protocol has not been renewed.

The conditions of the Ankara agreement signed in 1964 call for an economic union between the EEC and Turkey to be brought about in three stages. The first or preparatory stage is scheduled to end in December 1969. During this period, Turkey benefits from duty-free quotas on its exports of tobacco, grapes, figs and nuts, which account for 40 per cent of its export trade. In addition, the European Investment Bank is granting Turkey loans totalling $175 million. The EEC-Turkey Association Council at its May meeting considered it desirable for the second or transitory stage of the agreement to come into force as of December 1969. Work is continuing on the drafting of a second financial protocol and the Council debating the EEC-Turkey Agreement might give the go-ahead at its July session for this second or transitory stage of the agreement.

The Yaoundé Convention, in effect since 1964, links the EEC with 18 African States and Malagasy. Since July 1, 1968, the six member states and the 18 associated countries have formed a vast free trade area, except for processed agricultural products similar to those produced in the Community. Since the Yaoundé Convention came into effect, the European Development Fund, which is the Convention's instrument for technical and financial co-operation, has poured $730 million into the associated countries in an effort to promote their economic and social development.

Renewing the Yaoundé Convention

Negotiations for the renewal of the Yaoundé Convention were not completed by May 30, the date on which it was due to expire, and the countries of Africa and the Community are currently continuing these with the aim of introducing a new contract of association. The contracting parties have, however, adopted certain temporary measures to ensure that the principal provisions of the Yaoundé Agreement remain in effect until the present negotiations are terminated. The European Development Fund, on the other hand, will have to limit its activities to carrying out financing of projects approved before May 30, 1969.

Although there is unanimity on the principle of renewing the Convention and establishing a third European Development Fund, certain points of contention remain. These include the amount of financial and technical aid (the African countries are claiming an adjustment in the amount of aid to allow for both the devaluation in currency and the increase in the national revenue of the EEC countries) and the adjustment of the Common External Tariff. In accordance with the UNCTAD resolutions, the Six have undertaken to grant developing countries tariff preferences on their export products. The preferences granted to developing countries will have the effect of reducing the margin of preference enjoyed by producers of the associated countries on the Community market. What those producers fear in particular is that the reduction in the Common External Tariff on coffee, palm oil and cocoa imports to the advantage of developing countries as a whole will manifest itself in a lowering of their export earnings.

Other Agreements

The Community and Nigeria also signed an agreement of association in 1966 which allows for certain tariff concessions on a reciprocal basis but does not contain provisions for technical aid. Since the ratification procedure was not completed, the Lagos agreement scheduled to expire last May never became effective. No steps have yet been taken to renew it.

The Arusha agreement which binds three countries of East Africa (Kenya, Uganda and Tanzania) to the EEC was prompted in the main by principles derived from the Lagos agreement. The Arusha agreement came to an end last May before it ever went into effect because some of the member countries did not ratify it. The EEC Council has, however, recently given the European Communities Commission a mandate to renew the agreement for a five-year period coinciding with that of the new convention signed with the 18 African States and Malagasy, so as to smoothe the way for the eventual formation of a single association.

The agreements of association we have just discussed are based on Article 238 of the Treaty of Rome and primarily concern countries which have not reached a certain level of economic development. Article 237 of the Treaty deals with European countries seeking admission to the Community, and it is by virtue of this article that Britain, Ireland, Denmark and Norway have asked to join the EEC. Britain's request for membership was first submitted in 1961 and the ensuing negotiations terminated in January 1963 on French initiative. Renewed requests to open negotiations were made in May 1967 but the Six were unable to reach agreement on Britain's candidacy. The requests for membership from applicant countries remain on the agenda of the EEC Council of Ministers, but some projects are also under discussion at the negotiating table. The problem of extending the EEC still awaits solution.

The numerous trade agreements and agreements of association the EEC has concluded, with its participation as a separate entity in major international negotiations such as the Dillon Round and Kennedy Round, testify to its significance as an economic and political factor in the world.

IADB's Resources Increase

■ The Inter-American Development Bank will in future play a larger role in the tourist and fishing industries as well as increasing its activity in traditional sectors. This was announced by Mr. Felipe Herrera, President of IADB, at a meeting of the Board of Governors in Guatemala. Projects funded by IADB in the past have been aimed at bringing five million acres of land into full production, expanding power capacity by 5.8 million kilowatts, building 3,000 miles of highways and 10,600 miles of access roads, constructing 300,000 houses, helping farmers with credits and putting up factories. Central American countries have received loans amounting to an average of $22 per capita, twice the average for IADB's lending to Latin America as a whole.

Member nations have increased their pledges to the Fund for Special Operations in 1969. In 1968 and the first months of 1969, IADB has also substantially increased its lending capacity by placing long-term bonds and negotiating direct loans in Austria, Finland, West Germany, the Netherlands, Italy, Japan, Sweden, Switzerland, South Africa and the United States. IADB has received in the past year an additional Cdn.$10 million for the fund which it administers for the Government of Canada and which now totals Cdn.$50 million.

Mr. Herrera said that Latin America's exports rose by 3.6 per cent a year between 1950 and 1967. This was much below the 9 per cent in developed countries, 4.6 per cent in Asia and 6.4 per per cent in Africa. He pointed to Latin America's basic need for larger regional and subregional markets to make economies of scale and greater specialization possible.

Second Thoughts on Agriculture

In 1969 agricultural support will cost EEC $2 billion. The Mansholt Plan provides an alternative to the Common Agricultural Policy.

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

■ Late last year Mr. Sicco Mansholt, Vice-President of the EEC Commission, put forward a series of proposals designed to meet the shorter-term problem of agricultural surpluses and he outlined the structural reorganization needed to put EEC agriculture on a firm economic basis. These proposals, commonly known as the Mansholt Plan, have attracted wide attention, partly because of the growing awareness of the magnitude and cost of current problems, partly because of the controversial nature of some of the proposals, and partly because of the implications for future agricultural production and trade. The Mansholt Plan came when the Common Agricultural Policy (CAP) was almost complete and it called into question some of its basic tenets such as the ability of market forces to bring about the desired adjustment in Community agriculture.

Support Costs Still Rising

Productivity in EEC agriculture has risen more rapidly than was foreseen when the CAP was being negotiated and in the past few years production has grown faster than markets. Manpower in agriculture has declined steeply: it will have fallen by an estimated 10 million between 1950 and 1970. As a consequence, productivity has been rising on average by 7 per cent a year, which is well ahead of advances in other economic sectors. Yields have also risen sharply and overproduction has appeared in certain sectors, encouraged by high support prices. Agricultural self-sufficiency in the EEC is already more than 90 per cent over-all; it has reached 100 per cent for pork, poultry and eggs; it is over 100 per cent for soft wheat, dairy products, sugar and certain tree fruits. The only substantial deficits are feedgrains, vegetable oils and beef. Even with generous export subsidies, it is difficult to find outlets in world markets for the commodities which EEC wants to export because all are in surplus—wheat, sugar, and dairy products. As a result, the costs of support buying, export rebates and domestic subsidies have risen sharply. The Community's expenditure has increased from $500 million in 1960 (before the introduction of the CAP) to $1.5 billion in 1967 and it is expected to exceed $2 billion in 1969.

The basic problem is that most EEC farms are too small to take advantage of technological advances or achieve economies of scale. Only 170,000 EEC farms or 3 per cent of the total have over 50 hectares (125 acres); two-thirds have under 10 hectares (25 acres). The necessary investments cannot be amortized on these small farms. Three-quarters of them do not provide full-time work. Half of the farmers are over 57 years old and many of them do not have sufficient training to adapt to technological change. These structural limitations mean that farmers must engage in intensive, high-cost farming yet they do not make sufficient off-farm sales to provide a decent livelihood. Farm income remains well below other comparable occupations and the spread within agriculture itself is growing. As a consequence, social welfare considerations appear to be given an inordinate weight in the determination of support prices which are providing clear incentives to more productive farmers to increase their output.

In these circumstances, Mr. Mansholt concluded that the price and market support policy which is the cornerstone of the CAP does not deal adequately with the interlocking problems of unsatisfactory farm income, uneconomic farm structure, and mounting surpluses. Only a fundamental reform can offer real hope of providing farmers with a return comparable to that in other sectors of the economy.

Creating Efficient Farm Units

The aims of the Mansholt Plan (Agriculture 1980) are to create larger, economically viable farms which will yield an adequate return to their operators; to take 5 million hectares (12.5 million acres) out of production in the light of current surpluses and the prospect of higher productivity from more efficient farms; to assist 5 million people to move out of agriculture during the 1970's, either by providing advanced retirement schemes or by training them for other occupations; to reduce expenditure on price support and to use price policy in future to guide production, and to improve the marketing of agricultural products.

Only by removing people from the agricultural economy can larger and more efficient farms be created and the income of those who remain be raised. Mr. Mansholt therefore proposed halving the present 10 million people actively engaged in farming. This would be the same rate of decrease as in the past two decades but would include the less mobile elements of the farm community and particularly elderly farmers. There would be no compulsion to leave the land but instead there would be inducements for small-scale farmers to retire, retrain or merge their operations into larger units. The inducements would take the form of indemnities to farmers who take their land out of production or turn it over to a larger unit; pensions to farmers 55 years of age and over (half the farmers in the

EEC), guaranteeing them a minimum of $1,000 per year until they qualify for the old age pension in addition to any income earned outside agriculture, and vocational training for those who are prepared to move to other occupations.

The creation of larger and more productive farms would simply add to the already serious surpluses in the EEC unless land were taken out of production. The Commission proposed that over the next decade 5 million hectares (12.5 million acres) should be removed from farming out of the current 71 million hectares. At least 4 million hectares should be reforested to help offset the EEC deficit in wood (currently about 50 million square meters a year and estimated to reach 88 million by 1975).

To increase farm size so that modern technology can be applied, the Commission proposed setting up large-scale "production units" or "modern agricultural enterprises". In the former, several farmers would work their land together; the latter is a formal joint operation in which farmers invest all their capital assets. The suggested minimum size is 80 to 120 hectares for field crops, 40 to 60 cows for dairying and 150 to 200 head for beef production. Financial incentives would be provided, in particular an initial grant of $5,000. It is hoped that those who remain in agriculture will enjoy better living and working conditions and receive an appropriate return for their labor. Despite the prospect of an easier life, this proposal has aroused considerable controversy. Observers question whether farmers would give up their possessions and independence for a joint operation and there is an unfortunate analogy to collective farms.

The exodus of 5 million people from agriculture calls for development programs to bring jobs to ex-farmers who wish to remain in or near their homes and so avoid creating greater congestion in metropolitan areas. Where industry and agriculture already exist side by side, those who leave the land can be readily absorbed. However, where over a fifth of the population is now engaged in farming, as is often the case, programs of regional development and industrialization will be needed. The Commission believes that the number of people expected to leave agriculture could be absorbed by industry and services if the EEC economy grows at a real rate of 3 per cent a year or more.

Improved marketing is required so that both producer and consumer may benefit from the reorganization. The Commission calls for better market information, producer discipline in regulating the quality and quantity of produce arriving on the market, better grading on an EEC basis, and the organization of large-scale producers' groups to ensure regular supply and consistent presentation.

What It Would Cost

No firm costing is available yet but in presenting the program last year estimates were offered for the agricultural measures alone, that is to say, excluding complementary measures such as vocational training and regional development. The yearly outlay in the decade 1970-80 would average about $2.5 billion. The Commission calculated that expenditure would rise gradually to a peak in 1973-75, after which some reduction should be possible. The Commission pointed out that member states will pay out some $2.3 billion in market support operations in 1969 and another $2.2 billion for agricultural improvements. Although the new program would increase expenditure, the Commission suggests that by tackling the present structural inadequacies it should eventually be possible to reduce market support operations. EEC expenditure on agriculture for both price support and structural improvements could be brought down by 1980 to a total of $2 billion, of which $750 million would be for market support.

Urgent Problems: Butter, Grains

The foregoing is a far-ranging program and, even if put into effect immediately, would require time to produce the desired results. Although the objectives are set out in terms of 1980, most observers believe that it is a blueprint for the year 2000. In the meantime, the EEC must deal with the surpluses which are flooding the warehouses and costing millions of dollars in support. Mr. Mansholt has therefore proposed medium-term measures to complement the structures plan. Because of the urgency, the Ministers of Agriculture of the member states have taken these up first. The two commodities of special interest to Canada are butter and grain. The most pressing problem in EEC agriculture is the dairy sector and butter in particular. Stocks have risen steadily and the carryover into the new dairy year on April 1st, 1969, was in the vicinity of 400,000 tons (including normal commercial stocks). Support costs for the dairy sector this year are estimated at $600 million.

The Commission has suggested a two-pronged approach: a reduction in price to encourage greater consumption and measures to reduce milk production. It recommended that the butter price be cut by 37 per cent and a tax (possibly $60 per ton) be imposed on vegetable oils to raise the price of margarine. The tax proposal has aroused considerable controversy because it would hit low-income groups which buy margarine and vegetable oil. There is also U.S. opposition because it might affect sales of soybeans. To curb milk output, the Commission proposes on the one hand indemnities for the slaughter of dairy herds and on the other hand a tax on oilcake and fishmeal to make dairying less attractive. The Ministers of Agriculture have also begun to consider delivery quotas, the first time this technique has been considered for EEC agriculture. The EEC is a substantial net exporter of wheat (800,000 tons in 1968). Despite an overall EEC deficit in coarse grains, French barley is not always competitive in North Germany or Italy so there is a spillover into world markets. For instance, by late spring export permits for barley had reached 825,000 tons although import permits totalled over a million tons. EEC policy now seems to be directed to the maximum use of domestic grains within the Community and a reduction of exports which require costly subsidies. A measure at present under consideration would reduce the effective support prices for wheat and barley in deficit areas such as North Sea and Mediterranean ports so as to improve the competitive position of EEC grain compared with imports. This would reduce the spillover into export and might also reduce the EEC market for imported grain.

Effect on Trade

In proposing a cutback in production, the Commission is conscious not only of mounting internal support costs but also that the EEC now offers a smaller market for other countries and is struggling for sales in world markets with the help of hefty export subsidies. In 1967 for the first time since formation of the Common Market and again in 1968 imports of agricultural products from outside countries declined: from a peak of $6.5 billion in 1966 they fell to $6.2 billion in 1967 and $6.1 billion in 1968. At the same time, EEC agricultural exports have risen from $2.2 billion in 1966 to $2.37 billion in 1967 and $2.5 billion in 1968. Although net imports from outside have declined, agricultural trade between member countries has risen steadily and increased sixfold from 1958 to 1968 when it reached $3.7 billion. This intermeshing of trade is, of course, an objective of the Common Market, but the current situation offers little comfort to exporters of agricultural products to the EEC and few expect the situation to improve in the short run.

The importance of the Mansholt Plan to the countries exporting agricultural products to the EEC therefore lies mainly in the blueprint it provides for agricultural reorganization and bringing EEC markets back into better balance.

An Industrial Policy Takes Shape

European firms have found it difficult to expand their operations beyond their national boundaries, particularly in the science-based industries. New policy will remove legal and fiscal obstacles.

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

■ It has been said that although the Common Market created a customs union, it failed to establish Europe as an industrial power. It is now ten years since European integration took place. Without detracting from what has been accomplished, one of the principal objectives of those who signed the Treaty of Rome was to narrow tbe economic and technological gap between Europe and the United States, and this has not been achieved. There has been some rationalization within national boundaries but the Common Market has not led to the creation of large pan-European companies—and this is really needed. Perhaps there is more than a grain of truth in the cynic's observation that North American firms have been quicker than German or French to grasp the importance of a single market of 185 million people.

The first objective of a common industrial policy would be to overcome the disparity between the large market which the customs union has brought into being and the present industrial structure, which is geared to national markets. This would be achieved by creating a legal and fiscal framework capable of accommodating new industrial mergers. In other words, there would be a form of industrial company with its own articles of association that would be recognized by the authorities of all six member countries and be subject to the same fiscal requirements everywhere in the EEC. This new European form of company would exist alongside national companies. It would make multinational mergers easier and facilitate the creation of companies operating on a European scale and capable of competing with the international (and particularly the North American) giants.

In 1965 the EEC Commission looked into the problem of industrial integration and presented a memorandum to the Council of Ministers on the creation of a European company. Soon afterwards, it instructed Professor Sanders of Rotterdam University to consult with various national experts and draft the articles for a European company. In his first report, which was published at the end of 1967, Professor Sanders discusses the numerous problems that the incorporation of a company under European law presents. He also lists the conditions which he feels Community firms must fulfil before they can have access to this type of company—international operations, minimum capital, quotation on the stock exchange, etc. The Sanders Report also deals with delicate issues like worker participation in company management. It is not only necessary to spell out the conditions governing access to the new form of company, the fiscal arrangements applicable to the new European company must also be defined and difficult matters such as double taxation, the taxing of capital gains and the registration of shares must be settled.

The work of the experts is at present suspended because of disagreement between the member countries on participation in the work by countries seeking admission to the EEC. However, it may shortly be resumed. The Sanders Report with its draft of articles of association and objectives for the future European commercial company will be the basis for discussions between the member countries.

The new form of company and the introduction of a European patent should strengthen industrial co-operation. Experts from European countries, both those in the EEC and EFTA, met recently in Brussels to study setting up a common procedure for issuing patents and are expected to pursue the task energetically. A European patent will help European industrialists who want to see their inventions safeguarded beyond their national borders and it will boost technological co-operation between the countries of Europe. Progress towards a patent that will be recognized by all countries taking part in the discussions should make it easier to get the work on the new European form of company under way again.

The other major area of industrial policy concerns specific sectoral measures. Although certain special measures should be considered on a Community scale to assist branches of industry which have problems of adaptation (shipyards, the coal and steel industries, textiles, etc.) Community action should be mainly directed towards boosting the advanced technology sector. The Commission feels that the greatest problems confront those industries. They are often threatened by competition from more powerful foreign industries and there is a great danger that the advanced sectors which are essential to a modern economy will not develop sufficiently. In this respect, the formation of a European company will definitely pave the way for the necessary structural changes by providing firms with a legal framework suited to the requirements of a large market. We should add that it is also necessary to remove technical obstacles by harmonizing standards, to increase the financial resources available to business by creating a genuine Community capital market, and to encourage scientific research on a Community scale.

To sum up, the Community is working on an industrial policy which is seen as the essential complement of the customs union. The emphasis is in fact on structural problems in agriculture and industry now that the matter of the customs union is settled. Monsieur Rey, the President of the EEC, has recently declared that by concentrating on getting rid of the legal and fiscal obstacles to the formation of international firms, the Community intends to ensure that the unhampered movement of business concerns follows the unhampered movement of goods and people.

Closing the Technological Gap

Positive steps are now being taken to encourage scientific and technical co-operation across national boundaries in the EEC.

J. K. B. KINSMAN, *Third Secretary, Canadian Mission to the EEC*

■ In presenting its program to the Council of Ministers, the EEC Commission wrote that the future environment in Europe as well as the competitiveness of European industry would depend to a critical degree on how effectively the Community acted in the field of research and technology. National and Community research programs should be harmonized and based on the elaboration together of middle- and long-term scientific, technological and economic objectives. Projects in specific industrial sectors should be developed and carried out according to a collective policy at Community level and the individual programs of member states should also be co-ordinated on a regular basis. The policy should stimulate the scientific and technological efforts of universities, research centers and industrial laboratories. This shows how seriously the "American challenge" is being taken.

The EEC since its inception in 1958 has achieved remarkable economic growth but its new status as a really important independent economic force is jeopardized by Europe's technological lag. The EEC depends on U.S. technology in many vital sectors and is generally reckoned to be about 15 years behind the United States in technological development. This is partly because the United States sets aside a greater percentage of GNP for research—3.3 per cent in 1963-64 compared with roughly 1.3 per cent for the EEC—and its GNP is more than twice as large. The disparity is also due to a great extent to the contribution made by the U.S. Government. Quite apart from this, the large size of enterprises with their highly developed managerial technique and big domestic market enables U.S. firms to make larger profits and consequently to invest much more in research. The state's share of industrial research expenditure in the United States was 56 per cent in 1965 compared with 4.5 per cent for the EEC.

It would appear that U.S. companies are really the only ones which have taken full advantage of the Common Market. European enterprises have not generally succeeded in merging across national frontiers to form industrial units of adequate size (there are some notable exceptions) because of differences in national laws. The corporate mergers and associations which have taken place in the EEC have usually involved a U.S. company as the principal partner. As a result, European industry is in danger of losing the all-important capacity for innovation. New and sophisticated techniques can be developed and applied in as little as one or two years and may have a far-reaching effect on industry; if Europe cannot keep up technically, its economic independence will be imperilled.

EEC governments recognize certain fundamental priorities. The challenge of advanced American technology calls for a European response. Resources in key sectors such as machine tools, nuclear power, computers, and integrated circuits must be pooled. That is the essence of the first real attempt to deal with the problem on a global basis which was made this spring by the EEC Working Party on Scientific and Technological Co-operation (formerly known as the Groupe Marechal, now renamed the Groupe Argrain after its present chairman).

The Groupe Argrain, composed of experts from the six member states, reported on the possibilities of co-operation in the seven fields of technology which the EEC Council of Ministers had earlier identified as demanding priority—data processing, telecommunications, transport, oceanography, metallurgy, environmental effects (including pollution and noise), and meteorology. The Groupe's 28 experts managed to draw up 47 more-or-less concrete proposals in only 100 days. The EEC Council of Ministers will discuss the report this summer and will send it to the four candidates for membership in the EEC (Britain, Denmark, Ireland and Norway) and to other interested European states (probably Switzerland, Austria and Sweden). After their comments have been obtained, there will be meetings of experts before the ministerial meeting which will decide on practical action. Here are some of the Groupe's recommendations:

Data processing—The objective is a greater degree of independence for the EEC, not only in the construction of a sophisticated computer (planned for 1975) but also in the application of data processing and particularly in the creation of software. A European program library and greater co-ordination between companies, research centers, and governments is recommended.

Telecommunications—The Groupe recommends that a study in depth should be made of telecommunications needs for the next 15 years. In the short term, it proposes standardization of components and the development of new component techniques, particularly for computers. It also suggests basic research on semiconductors, Hertzien waves of high and very high frequencies, and satellite telecommunications.

Transport—The Groupe recommends that studies should be made of a marine hydrofoil of about 2,000 tons, electric vehicles, the automation of marine operations, urban traffic problems, and general interurban rapid transport needs, including terminal requirements.

Oceanography-Proposals which would have an immediate impact were confined to the need to control pollution of the sea.

Metallurgy—Seven specific projects were recommended which concerned the development of new titanium alloys and superalloys, fibrous materials, refractory metals, and other materials for gas turbines; studies of materials for the desalinization of the sea; new uses and techniques for metals in the chemical industry, and materials for semiconductors and superconductors.

Environmental Effects-Proposals dealt principally with questions of health, especially atmospheric and water pollution. The Groupe called for early EEC and world agreements.

Meteorology—A common research center and harmonization of meteorological equipment are needed as well as common purchasing and development policies. Studies for a European meteorological satellite were suggested.

More preparatory work is needed for the construction of a computer, the establishment of a European data processing institute, and the studies for electric vehicles, the automation of marine operations, and satellite projects.

The implementation of the Groupe Argrain's proposals would represent the first step in the creation of a technological community, enabling national investment in one project to be recouped out of the returns from another. A prerequisite is the co-ordination of national purchasing programs (which would result in a certain amount of national specialization). Governments must be willing to purchase from the industries of other countries.

Technological development in the EEC is naturally of considerable interest to Canada because it increases our market for sophisticated products. It also creates more opportunities for a profitable two-way flow of knowhow.

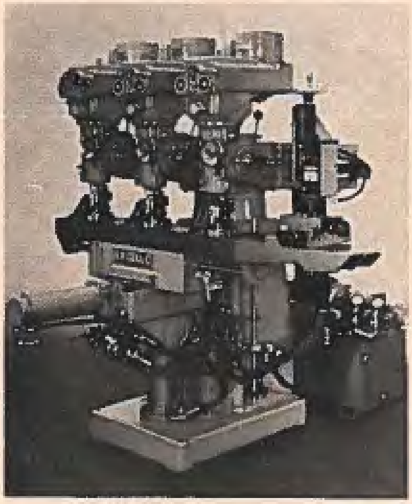
International Loans Announced

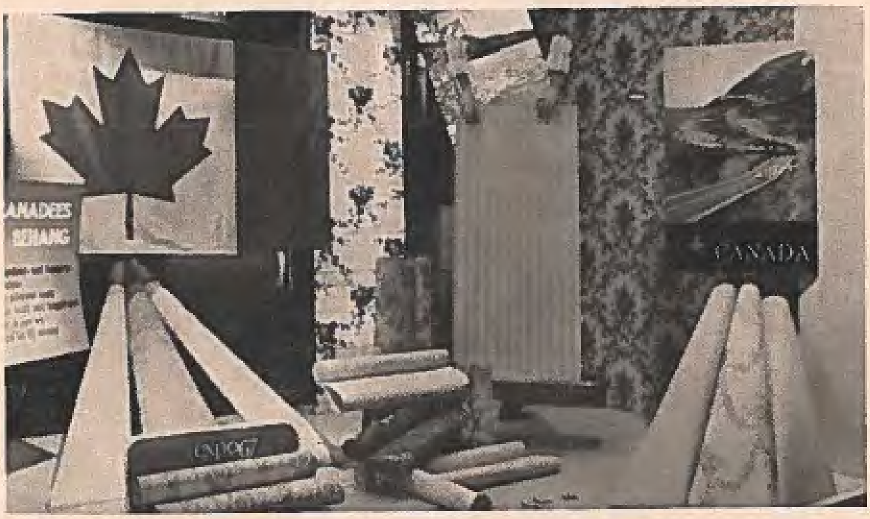
Education in El Salvador—The World Bank will lend $4.9 million to help El Salvador with its $8.4 million program to expand and improve its secondary schools. Between 1960 and 1967, primary school enrolment increased 37 per cent to 412,000 and secondary school enrolment 83 per cent to 60,400. Secondary school enrolment is expected to reach 143,000 by 1975.

The present project consists of building and equipping 17 new secondary schools and expanding 10 others; providing equipment for technical secondary institutes; expanding the National School of Agriculture at San Andres, and providing 90 fellowships for training agricultural, industrial and commercial teachers and school administrators. A special unit which includes architects, engineers and other experts has been set up in the Ministry of Education to handle the project. UNESCO specialists helped the Government identify the project and FAO specialists participated in its appraisal.

Schools in Tanzania—The International Development Association, a World Bank affiliate, will provide a $5 million credit towards Tanzania's $7.2 million plan for improving its secondary school system. A new 600-student school with boarding accommodation will be built and 24 existing secondary schools will be extended to provide 3,500 more places. Teacher training facilities will also be improved. The aim is to produce more agricultural, commercial and technical students because they are more relevant to the country's needs than those taking the present general courses.

(Rigbt) Tbls sblpment of Aylmer canned cberries being loaded ln Hamilton will soon be on its way to German customers. Also consigned to Germany is tbis automated milling machine, made by Ex-Cell-O Corporation of Canada, tbat lncorporates a Mimik tracer control to cut parts automatically from template patterns. The control too was developed in Canada. (Center, rigbt) A Dutch distributor arranged this display of Waldec's Canadian-made wallpapers in his store in 1967. (Below, right) These pilots for KLM are being trained on "Gulliver", a DC-8-63 fligbt simulator designed and built by CAE Industries Ltd. of Montreal and Winnipeg.





Perkins Paper Goes International

This Canadian company was so successful that its sales in Europe soon outran the capacity of the parent plant. The solution: shipping in bulk to a wholly-owned subsidiary in Brussels.

BERNARD A. GAGOSZ, *Assistant Commercial Secretary, Brussels*

■ Perkins Paper, a household word throughout the world? Not yet, but it may be if the dynamic management of this medium-sized Canadian company has its way. Last year it established Perkins International Limited Belgium in Nossegem, a Brussels suburb. Here is the story of how this came about.

Perkins Paper Products Ltd. of Chomedey, Quebec, is a privately-owned company producing and marketing paper tableware and party products. It has been quite successful. Five years ago it held the lion's share of the Canadian market for paper party goods and was supplying some 70 per cent of the $6 million retail market. This meant that any significant expansion of its business would have to come from outside Canada.

Reed Scowen, the company's young president and general manager, did not want to go into the U.S. market immediately. Instead, he wrote to a number of Trade Commissioners in European capitals, explaining his desire to export and asking them to arrange appointments for him with potential agents. Behind this move lay a lot of careful thought.

In 1962, the European Economic Community was still in its infancy. The Common Market aspect had not yet had much effect on trade. However, Mr. Scowen foresaw that EEC would become an extremely important trading entity as the elimination of internal tariffs proceeded and its people would enjoy a rapidly rising standard of living. Perkins Paper's party products are not cheap and appeal to those who want well-designed, attractive goods and are prepared to pay for them; Mr. Scowen believed that Europe could provide an expanding market for his company's products.

France the Test Market

France was chosen as the test market. With the assistance of the Commercial Division of the Canadian Embassy in Paris, Perkins Paper appointed an agent in 1965 to cover the big department stores and a number of quality stationers. Sales reached $20,000 in the first year and continued to go up.

Attempts to sell in other countries through manufacturers' representatives on commission met with mixed results. Perkins Paper started selling direct to department stores in Switzerland, Belgium, the Netherlands, Sweden, Italy, Spain, Portugal and Norway. The volume of export business grew steadily.

Centennial year marked the turning-point for Perkins Paper. Visitors to Canada saw the products in stores, admired them and took them home. The International Trade Center at Expo referred businessmen from overseas to the company. But the biggest break-through was in Germany. Perkins Paper was able to appoint a large and aggressive firm with 35 salesmen as its agent there, very different from the French agency which had only one man when it first opened up that market.

By the beginning of 1968, the flow of overseas orders had swollen to a flood. Certain lines were selling almost as fast in France and Germany as they were in Canada. Orders were also coming in in increasing volume from Britain, Australia, the West Indies and Central America. Exports were running at over a quarter of a million dollars a year and the Chomedey plant was having difficulty in turning out enough to fill all the orders. There were delays of up to 12 weeks in shipping; the resulting letters and telex messages merely added to the office workload. To oblige customers, orders needed urgently were dispatched by air—an expensive way to ship bulky products like paper napkins.

Success had in fact caused a crisis. Perkins Paper was obliged to ask itself whether it really wanted the business in Europe and, if the answer was yes, what it should do to overcome its production problems. One solution was to dispatch from Chomedey in bulk and let agents arrange repacking in Europe. This was rejected as it would only be a stopgap; besides, packaging was of prime importance in marketing the product and the company did not want to lose control of it.

Where to Locate?

The other solution was for Perkins Paper to set up its own packing and distribution facilities somewhere in Europe. The rapid progress of the EEC in the intervening years and the fact that France and Germany were the company's largest markets effectively narrowed down the choice to a Common Market country.

Italy was eliminated because of distance. Labor costs tended to be high in Germany. A number of legal problems ruled out France and the Netherlands. That virtually left Belgium. Although it may look as though Belgium was a residual choice, there were a number of positive reasons for establishing there. For example, Belgium was anxious to attract foreign investment and was prepared to make liberal concessions to encourage it. It was well placed in relation to Perkins Paper's European markets. Belgium's representatives in Canada and New York were most helpful and the Canadian Trade Commissioners in Europe also provided comparative data and other information.

The company made up its mind in July 1968 and set January 1969 as the target date for startup in Belgium. This was somewhat optimistic. To begin with, it took three months to set up Perkins International Belgium Limited as a legal entity and obtain a charter, but things soon got back onto schedule.

Setting up in Belgium

Philip Scowen was appointed managing director of the new company. He arrived in Brussels in September 1968 with the parent company's comptroller, Mike Scott. Their first task was to find suitable warehousing and offices.

Mr. Scowen soon learned that European business practices differ considerably from those in Canada. He also discovered that Belgian legislation governing the employment of workers is considerably broader. For instance, an accountant was hired on a trial basis and when after five weeks it was decided to terminate his employment, Mr. Scowen discovered that the man was entitled to three months' separation allowance under Belgian law. Such misunderstandings cost time and money.

By the end of October, Perkins Paper had located a suitable factory and warehouse in Nossegem and packaging machinery could be shipped from Canada. Supplies and raw materials for three months were also on their way. Early in December, the company began to hire staff and plant workers. By January 1, 1969, the Belgian company was operational; the target date had been met and the company could now guarantee one-week delivery to its European customers; previously it was 12 weeks.

All things considered, Mr. Scowen is satisfied with the progress made by Perkins International Limited Belgium. Besides giving faster service, the company now has closer personal contact with agents and their customers and can assist with marketing and merchandising. Since setting up in Europe, Perkins Paper has found it much easier to get the right type of representative. Finding suitable agents in Norway and Italy was relatively easy.

Perkins International has not had time to launch a co-ordinated marketing program in Europe. Its immediate plans are to expand sales by appointing agents in as many countries as possible but the Commonwealth preference still makes it more attractive to supply Britain direct from Canada.

At present, packaging in Belgium from bulk makes good sense. But the EEC is a market of 250 million people and if Perkins Paper's sales continue to expand at the present rate, the company will have to consider seriously manufacturing in Europe. Even when this stage is reached, it is probable that certain lines will continue to be imported from Canada. The volume of export business placed with the Chomedey plant may indeed increase.

A Word in Your Ear

Philip Scowen has this advice for Canadian firms who want to go into Europe: "Don't expect things to happen overnight. We probably moved too quickly in the initial stages of setting up our new company. I know we could have avoided a number of problems if we had spent more time on homework and studying the peculiarities of doing business in Belgium. We had to learn too much on the job. There are plenty of people ready to help you and the Department of Industry, Trade and Commerce is probably the best place to start. But don't be put off by the problems. Think of the rewards."

Grenada Stages an Expo

"Showcase of Caribbean Progress"—that was the description adopted for the first international fair ever held in the Caribbean. Grenada, one of the islands in the Windward group, was the site chosen and when CARIFTA Expo 69 opened on April 5, there were exhibits from all the former British colonies in the Caribbean and also from Venezuela, Surinam, Britain, the United States, and Canada. The emphasis was naturally on the industries, the products and the culture of the West Indies.

Above is a view of activity at Canada's stand at Expo 69, headquarters for information about Canada. As the picture shows, there were decorative panels including some showing our national game, hockey, and young West Indians crowded in to try their hand at getting the elusive puck into the net in the popular toy hockey game. Manning the booth when the photograph was taken were Miss Winifred McCleery, secretary, and J. J. M. C. Lavoie, Assistant Commercial Secretary, with the Office of the High Commissioner for Canada at Port-of-Spain, Trinidad, which covers the Eastern Caribbean area.

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trade lines

More cargo services to South Africa

Ellerman & Bucknall will reopen services between Canada and South Africa which were discontinued in the 1950's. Ships will load at Montreal and in the St. Lawrence (but not in the Great Lakes) monthly during the Seaway season and at Saint John, New Brunswick, in the winter. The agents are McLean Kennedy Ltd. of Montreal, Toronto and Saint John. Tbey will sail directly to Durban and they may also call at Cape Town and Port Elizabeth. The ships will then proceed to India and Pakistan. No South African cargo will be loaded for the westbound voyage.

Safmarine Line (South African Marine Corp. of New York) has started a bimonthly service between ports in Eastern Canada and South Africa and Mozambique. Safmarine is represented in Canada by Shipping Limited of Montreal and Toronto.

Christensen Canadian African Lines and the Japanese N.Y.K. Line also provide services from Eastern Canada to South Africa—Cape Town.

New Zealand looks for uranium

Uranium prospecting in the Buller area of South Island was discontinued in 1961 because of the poor market outlook then. With a New Zealand nuclear plant now expected on stream in 1977 which will require NZ$5 million of natural uranium a year, the picture has changed. Conzinc Riotinto (Australia) Limited and Lime and Marble Limited of New Zealand are investigating the main mineralized areas by underground exploration. The Government is meeting more than half the cost of the search by Lime and Marble Limited—Wellington.

Brazil plans more wood pulp and kraft

Rigesa Celulose, Papel e Embalagens Ltd. bas completed its plans for a Cdn.$20.4 million wood pulp and kraft paper mill at Tres Barras in Santa Catarina State, Brazil. The project will require both Brazilian and foreign investment. The output of 200 metric tons a day of kraft paper will go to Rigesa's factory at Valinhos in Sao Paulo State for conversion into corrugated cardboard and cardboard boxes—Sao Paulo.

More phones in Venezuela

Venezuela will install 83,000 new telephone lines (53,000 of them in Caracas) at a cost of Cdn.$7.5 million during 1969. An estimated Cdn.$19 million of equipment for external services will be imported. Venezuela plans direct dialing by the operator on 87 per cent of international calls and will improve submarine cable and radio connections with Argentina, Uruguay, Brazil, Peru, Ecuador and Mexico—Caracas.

Nuclear power for Seattle

Seattle City Light Company bas announced that it will build a one-million-kw. nuclear power plant at Kiket Island, 50 miles north of Seattle. It will be completed in 1979 and will serve the Puget Sound area. Its capacity may later be doubled—Seattle.

Switzerland increases clothing exports

One industrial worker in six in Switzerland is employed in textile or garment factories. The industry's annual production amounts to SF3.5 billion (Cdn.$900 million) and exports are now worth SF1.5 billion (Cdn.-$400 million).—Berne.

Bulgaria plans new airport

The Sofia airport was extensively modernized in 1968. A new airport is now planned for 1974 to handle the increasing traffic. Much of the equipment will be purchased within the COMECON but there may be requirements for which Canadian companies can bid—Vienna.

Foreign Tariffs and Trade Regulations

Peru

DUTY FREE AGRICULTURAL IMPORTS—Information recently received indicates that Peruvian importers may apply for duty exemption on certain articles for use exclusively in the agricultural industry. Duty-free entry can be made in accordance with Laws No. 16726 and 16956.

Among the items covered by the laws are: animals for breeding purposes, seeds for sowing, certain insecticides and chemicals, agricultural machinery, dairy machinery, tools and machinery for agricultural use, tractors, veterinary instruments, scales, internal combustion engines, generators and generating sets, rubber gloves for agricultural workers.

Further details may be obtained from the Latin American Division, Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa.

DOMINICAN REPUBLIC

Area: 19,130 square miles.

Population: 4,030,000.

Climate: subtropical; summer-weight clothing essential.

Language: Spanish.

Currency: peso, at par with U.S. dollar; one peso equals Cdn.$1.077 (June 1969).

Foreign exchange and import controls: importation of certain luxury items prohibited and most other items subject to import quotas established for each importer and class of goods. Current quota limits imports to 60 per cent of base period, July 1966 to June 1967. Letter of credit terms recommended as a four to five month delay occurs in obtaining exchange to pay for imports on a collection basis.

Weights and measures: metric system, although British and U.S. units commonly used.

Capital: Santo Domingo.

Chief ports: Santo Domingo, Puerto Plata, Barahona, La Romana, Haina.

Marketing centers: Santo Domingo (population) 615,000, Santiago 117,000, San Cristobal 53,000.

Economy: dependent on export sales of agricultural products (raw sugar, coffee, cocoa and products, tobacco and bauxite); assistance from U.S. Government sources important.

Total Dominican imports: 1967—U.S.$174 million; 1966—U.S.$161 million.

Chief imports: (U.S.$ million) 1967—foodstuffs 34.3, chemical and pharmaceutical products 18.0, motor vehicles 14.4, petroleum and products 12.9, iron and products 11.0.

Chief suppliers: (per cent) 1967—United States 51.6, Japan 6.9, West Germany 6.0, Netherlands Antilles 5.9, Britain 3.8.

Value of imports from Canada: 1968—Cdn.$5.6 million; 1967—Cdn.$4.7 million.

Chief imports from Canada: (Cdn.$ million) 1968—fish, smoked or salted 1.0; fish, canned .55; telephone equipment .95; newsprint and paper products .50; copper and products .42; aluminum and products .36.

Total Dominican exports: 1967—U.S.$156.6 million; 1966—U.S.$138 million.

Chief exports: (U.S.$ million) 1967—sugar and byproducts 83.8, coffee 17, bauxite 12.8, cocoa and byproducts 12, tobacco 10.8.

Chief markets: (per cent) 1967—United States 85.2, Spain 2.5, Puerto Rico 1.7.

Value of Canadian purchases: 1968—Cdn.$1.1 million; 1967—Cdn.$957,280.

Chief Canadian purchases: (Cdn.$'000) 1968—raw sugar 464; coffee, green 392; packaging machinery and parts n.e.s. 85; cucumbers, fresh 58; cocoa beans 44.

Prices: quote in U.S. dollars, c.i.f.

Usual credit terms: letter of credit.

Samples: of commercial value, subject to duty.

Visas: no visa necessary; tourist card required. **Inoculations:** smallpox.

Trade agreements: the Dominican Republic is a member of GATT; it also has a separate most-favored-nation agreement with Canada.

Documentation, customs tariffs, marking and labelling: consult the Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa.

For detailed information on this market write to: Latin American Division, Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa, or

Consul and Trade Commissioner, Canadian Consulate, 1606 Pan Am Building, Hato Rey, Puerto Rico 00917.

International Loans Announced

Aid to India—The Consortium of Governments interested in providing development assistance to India met in Paris at the end of May. Representatives of Austria, Belgium, Canada, Denmark, France, West Germany, Italy, Japan, the Netherlands, Sweden, Britain and the United States were present. The International Monetary Fund and the Organization for Economic Co-operation and Development (OECD) sent observers.

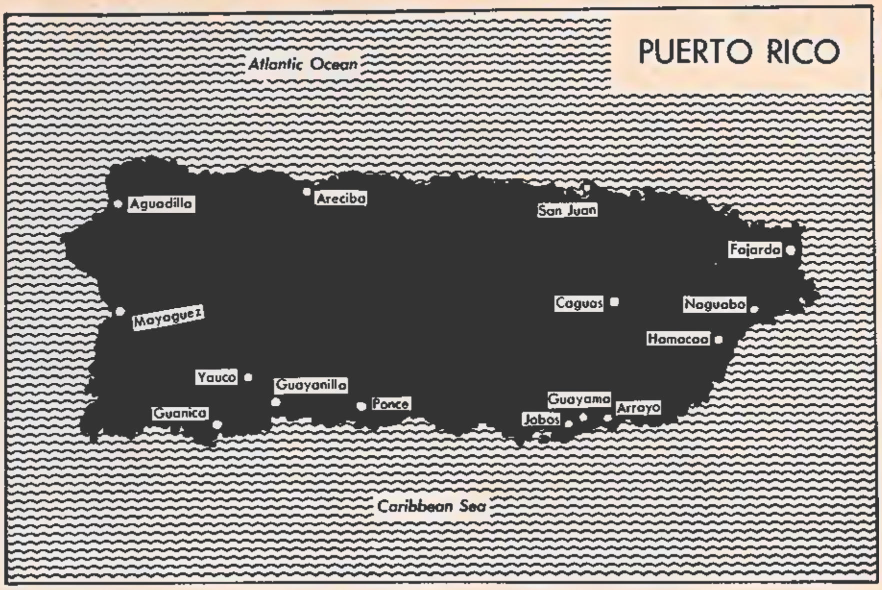
After reviewing India's economic progress, which included a 12.5 per cent increase in exports last year with particularly good performance in selling engineering products abroad, the members of the Consortium agreed that India required $800 million in non-project assistance ($100 million of it debt relief) and $400 million in project aid for the April 1, 1969, fiscal year.

Subject to parliamentary approval, the Canadian delegation indicated that Canadian development assistance for India in 1969-70 would be Cdn.$97.4 million. Of this, Cdn.$40 million would be in the form of food aid, Cdn.$38 million in development loans for non-project assistance, Cdn.$6 million in grants primarily for technical assistance, Cdn.$12.5 million for project assistance and Cdn.$900,000 for debt relief.

Railway development in Taiwan—The rapid growth of the economy has placed a heavy burden on the Taiwan Railway Administration (TRA). About 80 per cent of the population lives in the 250-mile corridor along the western plain. Railways carry most of the freight and about half of the long-distance passenger traffic. The World Bank will lend $31.2 million to cover the import of high-priority capital goods for the TRA's development program in 1969 and 1970—18 diesel-electric locomotives; 268 passenger cars; 600 freight cars; track, signalling and workshop equipment, and miscellaneous items. The loan will also pay the foreign exchange costs of consultants' services and staff training. The consultants will make a feasibility study of the electrification of the main line, introduce a modern traffic cost accounting system, and help to set up a railway planning unit for which some staff will be trained abroad.

Taiwan Railway Administration's total capital expenditures in 1969 and 1970 will be $86 million, of which $54 million will be in foreign exchange.

PUERTO RICO



Area: 3,445 square miles.

Population: 2,739,000.

Climate: subtropical.

Language: Spanish and English.

Currency: U.S. dollar.

Dollar exchange: freely available.

Weights and measures: same as the United States.

Capital: San Juan.

Chief ports: San Juan (population) 499,300, Ponce 162,500, Mayaguez 93,200.

Economy: over 50 per cent of total export values derived from industry, mainly branch plants of U.S. firms, guided by government organizations, and granted property and income tax exemptions. Agriculture is important, with sugar and byproducts the leading commodity. Construction and tourism follow in importance.

Total Puerto Rican imports: (fiscal year ended June 30) 1968—U.S.$1,969 million; 1967—U.S.$1,805 million.

Chief suppliers: (U.S.$ million) 1967—United States 1,463, Venezuela 114, Japan 31, Canada 26.8, Netherlands Antilles 16, Spain 15, West Germany 13.9, Britain 12, Belgium 11, France 10, Italy 6.6.

Value of imports from Canada: 1968—Cdn.$37.8 million; 1967—Cdn.$26.8 million.

Chief imports from Canada: (Cdn.$ million) 1968—cars, trucks and parts 15.4; lumber 4.4; fish, salted 3.2; newsprint 2.8; insulated wire and cable 1.7; potatoes 1.5; copper and products 1.2; iron and steel products 0.9; aluminum products 0.8.

Total Puerto Rican exports: (fiscal year ended June 30) 1968—U.S.$1,449 million; 1967—U.S.$1,320 million.

Chief markets: (per cent) 1967—United States 95.2.

Value of Canadian purchases: 1968—Cdn.$2.5 million; 1967—Cdn.$6.2 million.

Chief Canadian purchases: (Cdn.$'000) 1968—hospital equipment, utensils, accessories and parts 642; fuel oil numbers two and three 503; molasses, cane or beet 339; pineapples, fresh 179; medical and surgical instruments, equipment and parts 169.

Prices: quote only in U.S. dollars.

Usual credit terms: open account, 30 and 60 days.

Samples: same regulations as apply in the United States.

Visas: same as the United States. **Inoculations:** smallpox; other inoculations may be required at certain times and this point should be checked.

Import controls, documentation, customs tariffs, marking and labelling: Puerto Rico is part of the customs territory of the United States. As such the U.S. Tariff Schedule would apply to imports into Puerto Rico from all sources other than the U.S. Certain internal taxes apply to goods from all sources.

Transportation: Puerto Rico is three-and-a-half hours by air from New York.

For detailed information on this market write to: United States Division, Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa, or

Consul and Trade Commissioner, Canadian Consulate, 1606 Pan Am Building, Hato Rey, Puerto Rico 00917.

Foreign Exchange Rates

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

The mid market rates only are quoted, except when buying and selling rates are specified. The huyi rate is that at which banks purchase exchange from exporters; the selling rate is that at which ban 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 (July 4)	Value of: Canadian dollar in foreign currency units (July 4)
Algeria		
Dinar	.2173	4.62
Argentina		
Peso (free)	.0031	322.58
Australia		
Dollar	1.205	.8340
Austria		
Schilling	.0418	24.03
Bahamas		
Dollar	1.059	.94
Belgium and Luxembourg		
Franc	.0214	46.72
Bermnda		
Pound	2.567	.38
Bolivia		
Peso	.0908	11.06
Brazil		
Cruzeiro (official free)	.2676	3.75
Britain		
Pound	2.583	.39
British Honduras		
Dollar	.6457	1.56
Burma		
Kyat	.2269	4.42
Ceylon		
Rupee	.1815	5.53
Chile		
Escudo (bank rate)	.1185	8.43
(free)	.1059	9.40
China, Repnblic of		
New Taiwan Dollar (official)	.027	37.04
Colombia		
Peso (fixed)	.062	15.87
Congo (Kinshasa)		
Zaire	2.154	.4651
Costa Rica		
Colon	.1631	6.15
Cuba[1]		
Peso	....	....
Czechoslovakia		
Koruna	.1501	6.68
Denmark		
Krone	.1436	6.98
Dominican Republic		
Peso	1.081	.93
Ecuador		
Sucre (official)	.0600	16.72
(free)	.0538	18.65
El Salvador		
Colon	.4323	2.32
Fiji		
Pound	1.239	.80
Finland		
Markka	.2573	3.90
France, Monaco, etc.[2]		
Franc	.2173	4.62
Franco-African Repnblics[3]		
Franc	.0043	232.5
French Pacific[4]		
Franc	.0119	84.03
Germany		
D Mark	.2701	3.72
Ghana		
New Cedi	1.059	.94
Greece		
Drachma	.0360	27.93
Guatemala		
Quetzal	1.081	.93
Guyana		
Dollar	.5403	1.85
Haiti		
Gourde	.2161	4.64
Honduras		
Lempira	.5403	1.85
Hong Kong		
Dollar	.1783	5.62
Hungary		
Forint (official)	.0921	10.85
Iceland		
Krona (official)	.0122	81.96
India		
Rupee	.1432	7.00

Couotry and Currency	Valne of Foreigo currency unit in Canadian dollars	Valne of Canadian dollar in foreign curreocy units
	July 4	
Iodonesia[5]		
Rupiah	....	....
Iran		
Rial	.0142	70.42
Iraq		
Dinar	3.026	.33
Ireland		
Pound	2.583	.38
Israel		
Pound	.3087	3.25
Italy		
Lira	.0017	588.23
Jamaica		
Pound	2.583	.38
Japao		
Yen	.0030	333.33
Keoya		
Shilling	.1526	6.55
Lehanoo		
Pound (free)	.3350	2.99
Malaysia		
Dollar	.3530	2.85
Mexico		
Peso	.0864	11.60
Morocco		
Dirham	.2169	4.69
Netherlands		
Florin	.2963	3.37
Netherlands Aotilles		
Florin	.5730	1.75
New Zealaod		
Dollar	1.209	.82
Nicaragua		
Cordoba	.1544	6.50
Nigeria		
Pound	2.998	.33
Norway		
Krone	.1515	6.63
Pakistan		
Rupee	.2269	4.42
Panama		
Balboa	1.081	.92

Country and Currency	Value of Foreign curreocy unit in Canadian dollars	Value of Canadian dollar in foreign curreocy uolts
	July 4	
Paraguay		
Guarani (free)	.0086	116.28
Peru		
Sol (free)	.0248	40.65
Philippines		
Peso (free)	.2760	3.63
Poland		
Zloty (fixed basic rate)	.2700	3.71
Portugal & Colooles[6]		
Escudo	.0376	26.66
Saudi Arahia		
Riyal	.2066	4.84
Slerra Leooe		
Leone	1.509	.66
Singapore		
Dollar	.3530	2.85
South Africa		
Rand	1.509	.66
Spain & Depeodeocies		
Peseta	.0154	64.93
Sweden		
Krona	.2088	4.79
Switzerland		
Franc	.2500	4.01
Syria		
Pound (free)	.2819	3.55
Thailand		
Babt (free)	.0524	19.15
Trinidad & Tohago[7]		
Dollar	.5392	1.85
Tunisia		
Dinar	2.059	.48
Turkey		
Lira	.1201	8.35
United Arab Repohlic		
Pound (official)	2.485	.40
United States		
Dollar	1.080	.92
Uruguay		
Peso (free)	.0043	232.56
Veoezuela		
Bolivar (official free)	.2405	4.17
Yugoslavia		
Dinar (official)	.0864	11.61

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

Trade Commissioners on Tour

In Canada

If you wish to meet the officers whose itineraries are listed below, get in touch with—

Ottawa—Department of Industry, Trade and Commerce

St. John's, Halifax, Montreal, Winnipeg, Edmonton and Vancouver—Regional Office, Department of Industry, Trade and Commerce

Toronto—Canadian Manufacturers Association

Windsor, Ontario—Greater Windsor Industrial Commission

Fredericton, New Brunswick—Department of Industry

All other centers—Board of Trade or Chamber of Commerce

Argentina—L. D. Burke, Commercial Counsellor in Buenos Aires:

Winnipeg—July 22-23
Calgary—July 24-25
Vancouver—July 26-30

Belgium—B. A. Gagosz, Assistant Commercial Secretary in Brussels:

Montreal—July 27-28
Toronto—July 29-30
Vancouver—July 31-August 1

Hong Kong—F. M. Loh, Commercial Officer in Hong Kong:

Montreal—July 23-August 4
Toronto—August 4-20
Winnipeg—August 21-22
Kelowna—August 25
Vancouver—August 26-29

Lebanon—N. W. Boyd, Commercial Counsellor in Beirut:

Toronto—August 5-8
Montreal—August 11-15

Pakistan—B. Northgrave, Assistant Commercial Secretary in Islamabad:

Montreal—July 21-22
Toronto—July 23-25

Thailand—C. E. Rufelds, Commercial Secretary and Consul in Bangkok:

Vancouver—August 13-16

United States—P. D. Donohue, Consul and Trade Commissioner in Chicago:

Charlottetown—July 21
Florenceville, Grand Falls—July 22
Saint John—July 23
Halifax—July 24
Montreal—July 25-29
Toronto—July 30-August 1

Temporary Duty in Ottawa

The following will be on temporary duty in Ottawa and may be contacted through the Trade Commissioner Service, phone 995-8022 (area code 613).

P. W. Aubin, Assistant Commercial Secretary in Beirut, Lebanon, August 18-29.

G. E. Blackstock, Commercial Secretary in Berne, Switzerland, August 25-September 5.

D. B. Browne, Assistant Commercial Secretary in Oslo, Norway, July 21-August 1.

R. A. Fairweather, Vice Consul and Assistant Trade Commissioner in Manila, Philippines, July 21-25.

B. A. Gagosz, Assistant Commercial Secretary in Brussels, Belgium, July 20-26.

P. J. Gosselin, Assistant Commercial Secretary in Nairobi, Kenya, August 25-29.

R. E. Gravel, Commercial Counsellor in Santiago, Chile, August 18-24.

C. K. Marchant, Vice Consul and Assistant Trade Commissioner in New York, August 11-29.

C. D. Miller, Assistant Commercial Secretary in Rome, Italy, August 25-28.

G. D. Valentine, Commercial Secretary in Bogota, Colombia, August 11-15.

In Territory

Australia—K. F. Osmond, Commercial Counsellor in Melbourne, will visit South Australia July 23-27.

Barbados, French West Indies—J. J. M. C. Lavoie, Assistant Commercial Secretary in Port-of-Spain, will visit Barbados, Martinique and Guadeloupe July 20-26.

Barbados, Leeward Islands—J. A. Ahow, Commercial Officer in Port-of-Spain, Trinidad, will visit Barbados, Dominica, St. Kitts, Montserrat, Antigua, August 23-30.

Bulgaria, Hungary, Romania—Trade Commissioners in the Vienna, Austria, office make frequent visits to these countries, but often there is not time to publish their itineraries in advance. Therefore, Canadian businessmen 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.

Cameroon—J. R. Brocklebank, Acting Commercial Secretary in Lagos, Nigeria, will visit Yaounde July 15-23.

Cyprus—an officer from the Tel Aviv, Israel, office will visit Cyprus every month for at least three days, usually in the second half of the month.

El Salvador—W. Kuhn, Commercial Assistant in Guatemala City, will visit El Salvador July 28-August 2.

Guyana—D. J. McJanet, Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Guyana August 13-15.

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

The superior look on this pig's face is justified; she's one af the founding mothers of a special breed. With 28 ather sows, she was an her way to Mexico to establish a new pig dynasty and provide Mexicans, ultimately, with more and better pork.

The home she's leoving rather unwillingly is the Bolton Experimental Farm of the University af Toranto's Connaught Medical Research Labaratories. There she was raised under specially controlled conditions. The result: less feed needed, more young per litter, and a phenomenal survival rate for piglets.

Arrived in Mexico, the sows were shown at the Morelia Livestock Fair and then went to leading breeders. Eventually they will praduce, using semen from boars at Boltan, a hog strain to be known as "Connaught Five". The prediction: Connaught Five will make Mexico one af the leaders in fine hog praduction.

If undelivered return to:
The Queen's Printer, Ottawa, Canada

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