October 1972

Canada Commerce

EEC

CANADA AND THE NINE

Canada in New Delhi

The Third Asian International Trade Fair opens next month at New Delhi. It is the first major international trade show to be held in India and will highlight the country's silver jubilee celebrations of independence.

Canada will have its own pavilion, housing about 15 Canadian companies mounting their own equipment or model displays. Another 38 or more companies will be associated with the sectoral exhibits, focussing on areas where advanced Canadian technology is recognized, areas such as mining and forestry. A model of the pavilion, designed by the Bombay architect Raj Karer, is shown above.

Nearly 50 countries will be taking part in the show, which runs from November 3 to December 17. Show officials expect about five million visitors, including many from neighboring Asian countries. The show's theme is "Peace and Progress for Asia Through Economic Co-operation."

Canada Commerce

Vol. 136 No. 10 October 1972

In This Issue

Once again it is time for our yearly review of EEC policies and trends of trade. This time, however, it is a greatly enlarged Community, with the addition of Britain, Ireland and Denmark as members. When these new members formally join next year the EEC will become the largest importing entity in the world. Together with the remaining EFTA members, the two organizations will become the largest free trade area in the world, with a population of about 300 million and trade worth more than the combined foreign trade of the United States and Japan. This, surely, is not a market to be overlooked. Our articles from the Canadian Mission to the EEC in Brussels and from the member countries of the Community tell you what is happening, what the outlook is and how to go after the various markets.

Canadian exporters certainly have a long way to go before they flood the European market. As the leading article in this issue says, we have not even approached our potential in this challenging area. There are difficulties, there are problems, but we have yet to hear of any exporter anywhere that does not have to face problems. Selling in Europe should be no harder than selling to any foreign country.

When this issue was planned, Norway, of course, was to be included, as the occasional reference to the country in the various articles makes clear. The rejection of membership in the EEC by the voters last month, however, changes the picture but we hope to bring you an up-to-date article on this country when its new course is decided.

The article on page 38 the second one on the World Bank, is of particular interest to consultants and equipment suppliers. It describes the procedures for getting business and winning contracts on World Bank projects. Next month we will tell you about the lending policies of the Inter-American Development Bank.

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Canadian Trade Exposition held in Peking
Pages 23, 24, 25, 26.

The EEC

Departments

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Canada's Future Role in the Nine

What EEC enlargement will mean in terms of trade

G. R. GOUGH, European
Affairs Branch

The accession of Britain, Denmark and Ireland to the European Economic Community on January 1, 1973 will create a market of 256 million people with a gross production of around $635 billion. In a referendum last month, Norwegian voters rejected entry into the EEC. The nine countries which will compose the enlarged EEC already form the world's largest trading unit and by 1973 are expected to provide an import market one and a half times as large as the United States.

The formation of this massive economy entity is an event which Canada cannot afford to ignore. Last year our sales to the existing EEC and the three applicant countries amounted to more than $2.4 billion. This represented 16 per cent of our total exports and almost half of our exports outside North America.

The main short-term impact of these developments on Canada's exports will follow from the adoption by Britain over the next five years of the EEC's import system. This will result in higher trade barriers for over $600 million of our current sales to Britain but it should be remembered that more than half our exports to Britain — about $725 million — will continue to enjoy duty-free entry. (Figures are based on Canada's 1971 exports to Britain.) Moreover, although the EEC's Common Agricultural Policy poses a serious obstacle to many exports to the Community in that sector, its Common External Tariff is not high by international standards, with average tariffs on industrial products lower than those which exist, for example, in the U.S. In fact, over the last 10 years our sales to the EEC have expanded much faster than our exports to Britain. In addition, if the British expectation that membership in the Community will stimulate more rapid expansion of that country's economy is borne out, the subsequent acceleration in British import demand may offset to some extent the deterioration in access conditions for Canadian goods.

The expansion of the Community will result in an EEC which will be the largest and fastest growing importing entity in the world and Canada's second largest trading partner. It will also modify the framework in which we have been conducting our trade relations with Western Europe. For instance, the accession of Britain and Ireland will have implications for our trade agreements with these countries since the new obligations to other members of the EEC they will assume will conflict with their preferential tariff obligations to Canada under the terms of these agreements.

Last June, a high level team of Canadian Government officials visited London and EEC capitals to explore ways to improve and strengthen relations with the new Community and we expect these discussions will continue in Ottawa later this year. We have also been laying the basis for expanded co-operation in the industrial application of science and technology and have signed agreements in these fields with Belgium and West Germany.

The Department is also putting major emphasis on supporting efforts of the Canadian business community to penetrate European markets more effectively. Almost a third of the officer strength of the Trade Commissioner Service is deployed in European countries within the enlarged Community or in countries associated with the EEC. In order to reinforce the Canadian presence in Europe, a number of trade missions composed of senior Canadian businessmen were arranged by the Department recently. We also participated in a broad range of trade fairs in the area.

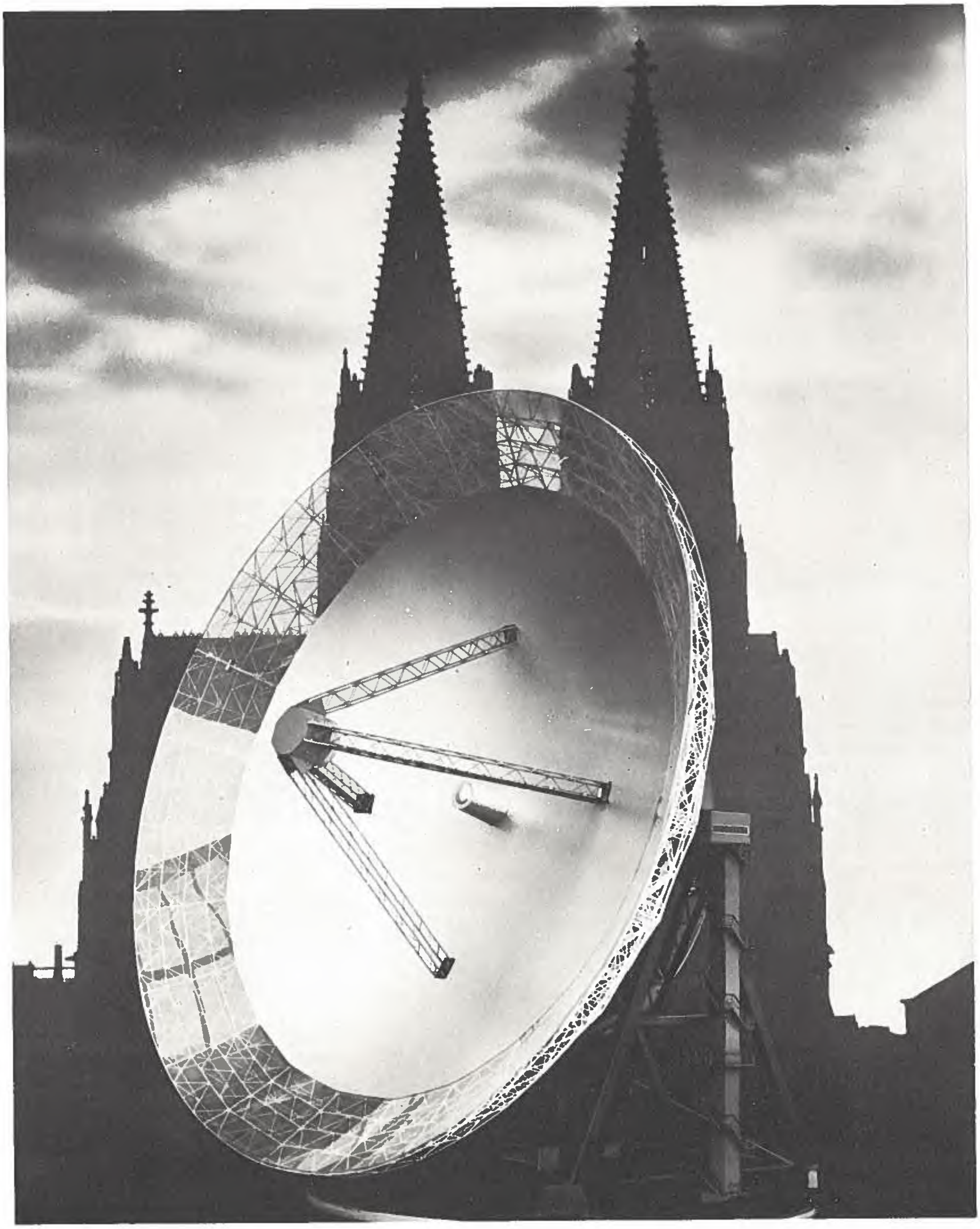
Also on the trade relations side, Canada, together with other interested countries, is actively involved in the examination by the GATT of the terms of the Treaty of Accession under which Britain and the other two countries are joining the Common Market. This examination is primarily to determine whether terms for enlargement of the EEC laid down in the Treaty are consistent with the provisions of Article XXIV of the GATT which sets out the principles under which a customs union may be created or enlarged. It is expected that some adjustments in the EEC import regulations will be made as a result.

Canada will also take an active role in the multilateral negotiations that begin in 1973. Our objective will be to obtain the maximum possible improvement in our terms of access to the EEC and to other major markets. Successful negotiations resulting in a further general reduction of international trade barriers, both tariff and non-tariff, will go a long way towards offsetting some of the adverse effects of EEC enlargement on Canadian exports.

As the following articles show, exporting to Europe is not without challenges. But we are convinced that Canadian exporters have not even approached their potential in this gigantic market. Successes in the European market will not be achieved if we dwell only on the problems. The Department will do all it can to encourage Canadian exporters to focus on Europe and to help them seize the immense opportunities — opportunities that have not been receiving the attention they deserve.

The New Community

Symbolic of the old and the new, a parabolic reflector, used in a mobile radio-telescope for space research, stands before a Gothic cathedral, a survival from the medieaval age.



The New

J. R. ROY, Deputy Head, Mission of Canada to the EEC

Negotiations for the enlargement of the European Communities (The European Economic Community, the European Atomic Energy Community and the European Coal and Steel Community) were formally concluded on January 22 this year with the signing in Brussels of the Treaty of Accession by the four new members. By so doing, the governments of Britain, Denmark, Ireland and Norway signified their acceptance of the terms negotiated with the original members of the Community (Belgium, France, Germany, Italy, Luxembourg and the Netherlands). Just under five years after application by the four new candidates for membership, the way was thus open, subject to ratification by the parliaments of the acceding countries, for the Six to become the Ten when the Treaty comes into force on January 1, 1973.

Two basic rules governed the approach to the negotiations: candidate countries were required to accept the original Community treaties and agreements or regulations flowing from them, but would be given an opportunity to adjust to these structures during a transitional period subsequently set at five years. The Ten thus are to become a full customs union with a common agricultural policy on December 31, 1977. For industrial products, tariffs between members will be reduced in five equal steps of 20 per cent, the first to take effect on April 1, 1973 and the last on July 1, 1977. Adoption of the common external tariff by the new members will proceed in four stages: 40 per cent on January 1, 1974, and 20 per cent each on January 1, 1975, January 1, 1976, and July 1, 1977.

For agriculture, the new members agreed to adopt the Community's marketing organization and rules, but with a phased adjustment of six steps leading to final alignment on December 31, 1977.

It was also agreed during the negotiations that Britain's traditional trade arrangements with developing countries of the Commonwealth would remain intact until December 31, 1975. In the meantime, new relations between these countries and the enlarged Community would be explored to determine what trading arrangements of mutual benefit could be established. Among other transitional measures instituted were guarantees to New Zealand of (declining) quotas for butter and cheese in the British market until 1977 and a commitment to review arrangements after that date.

The Six and Britain also agreed to examine ways to safeguard the interests of countries largely dependent on the export of sugar currently covered by the Commonwealth Sugar Agreement, with Britain being allowed to continue imports under that agreement until 1975.

Exactly six months after the signing of the Treaty of Accession, the Ten signed a new series of treaties instituting an industrial free trade area with six other European nations. In ceremonies which attracted relatively little attention, Austria, Finland, Iceland, Portugal, Sweden and Switzerland concluded agreements with the Ten intended to eliminate customs barriers between themselves on industrial products. For these nations, former members of the European Free Trade Association (EFTA), it meant that duty free access to Britain, which they had enjoyed since 1967, was to be extended to include the markets of the original European Community. In this way the potentially negative impact of EEC enlargement on the EFTA "non-candidates" (reintroduction of tariff barriers in Britain, Norway and Denmark) was to be avoided.

In a scenario similar to the one established for the enlarged Community, the new free trade arrangement will be achieved by stages. Tariffs between the Ten and the associates on almost 90 per cent of their trade will drop progressively to zero between April 1, 1973 and July 1, 1977; the six associates will, of course, retain their current national tariffs in respect to third countries. In the case of each associated country, some special problems arose requiring adjustment and compromise on the part of both sides. Of most interest to Canada, was an agreement on various kinds of papers affecting mainly Britain, Sweden and Finland. Scheduled to get duty free entry into the Ten only after 11 years (1984), the non-candidate paper suppliers will none the less receive duty free quotas in Britain starting in 1974 (until then they get duty-free entry anyway under EFTA arrangements). In this way the Scandinavian paper suppliers will retain free access for the bulk of their current sales to Britain while British industry gets a generous period to adjust to free entry from its Common Market and former EFTA partners in 1984. However, Canadian exports of newsprint and wood pulp should not be adversely affected by these arrangements as they will also receive duty-free entry under quota with the enlarged Community. These quotas were agreed upon in the negotiations for British accession.

The treaty-signing ceremonies of January 22 and July 22, 1972, marked a substantial but partial fulfilment of objectives which the heads of government of the European Communities had set for themselves in December 1969, at the last EEC Summit meeting. Besides taking the political decision at that time that the Common Market should be enlarged to include the candidate countries and that upon enlargement attempts should be made to avoid negative effects on EFTA non-candidates, the heads of government agreed that foreign ministers should determine the best way of achieving political union and that a full economic and monetary union should be established within the Community.

After studies undertaken by the Six to foster political unity, EEC Foreign Ministers decided in July 1970 on twice-yearly consultations in which they would seek to harmonize their foreign policies. These meetings have taken place, along with similar but more frequent consultation at an official level. As far as monetary union is concerned, the Council of Ministers in February 1971 sketched out in broad terms the form of union envisaged and the means to achieve it by 1980. By that time, the Community plans to have a common reserve system and a single currency. At the end of 1973, major political decisions are scheduled to be made about the ultimate nature of the union — especially whether to transfer some key national prerogatives in the economic sector to Community institutions, including the European Parliament.

Progress on economic and monetary union during 1971 and 1972 was uneven. The planned reduction in the allowable exchange rate fluctuation of EEC currencies (a step toward fixed parities and a single Common Market currency) had to be postponed following the floating of the Deutsche Mark in May 1971. On August 15, 1971, the special trade and economic measures introduced by the U.S. further disrupted European plans and led to readjustments that resulted in changed parities and the wider use of exchange controls among the Six. Nevertheless, on March 22, the Six plus the candidate countries agreed that from July 1, 1972, the exchange rate margins among their currencies would not exceed 2.25 per cent. Apart from sterling, these margins were respected when waves of speculative dollars poured into Europe prior to the floating of the pound on June 23. Moreover, at a meeting in London on July 17-18, the finance Ministers of the Ten agreed on a common European position on the reform of the international monetary system (widely held to be necessary after the inconvertibility of the U.S. dollar) which, for the Community, foreshadowed more encouraging prospects for its own monetary co-operation.

Achievements of some of the major objectives set by heads of government in December 1969 led Europeans to believe that another Summit should be held; the dates, October 19-21, 1972, have been proposed. The European authorities concerned thought that the Summit might consider further steps in economic and monetary union and the further development of common policies for industry, science and technology, regional and social affairs; the strengthening of the common political institutions, e.g. the European Parliament, and the Community's relations with third countries, including Canada. Since then, some member governments have questioned whether a summit meeting could usefully take place as early as October 1972. At the time of writing, no final decision on dates had been made; the Foreign Ministers of the Ten were scheduled to review the question at a meeting in September.

A variety of other developments marked the evolution of the European Community over the last year but the major event no doubt was the signing of the Treaty of Accession. With enlargement, the Community of Ten will become a most redoubtable trading unit. Even though the U.S. remains the wealthiest market in the world, the enlarged community will become the largest with a population of 257 million, 25 per cent greater than that of the U.S. and 5.2 per cent greater than that of the U.S.S.R. (1970 statistics). Already the world's greatest trader before enlargement, the Ten together account for 41 per cent of world trade (1970 statistics).

There is little doubt that as it develops its economic and monetary union and consolidates its regional, social and industrial policies, the Community of Ten will play an increasingly important role in the world economy. The Six were already a formidable competitor for other industrialized countries and a very important customer. With enlargement, the Ten will become, in many respects, the world's most important industrialized zone. To this area will be added the several European countries that have entered into free trade arrangements with the Community (whose combined commercial exchanges amount to roughly 45 per cent of world trade) as well as a multitude of developing countries having or about to have preferential access granted for their products to the EEC markets.

The events of 1972 have demonstrated that the shape of Europe's future trading relations is rapidly crystallizing and there appears to be little doubt that the Community will constitute an unprecedented pole of attraction for trading countries. To the extent that the Community nations can act with a common political will, their weight in world councils will be most remarkable. In many fields of interest to Canadians, notably trade and monetary affairs, the attitude of the European Community may frequently prove of key importance. There is little doubt, in my view, that the new Europe constitutes a challenge to the Canadian business community in terms of industrial development, and the resulting competition that this implies and as a market where price, quality and salesmanship will count as never before.

The Community as a World Trader

L. J. TAYLOR, Counsellor,
Mission of Canada to the EEC

The largest trading entity in the world is the European Economic Community. Its total foreign trade in 1971 has been estimated at more than $100 billion, excluding intra-Community trade among the six member states which accounted for another $50 billion. With enlargement on January 1, 1973, the Community's impact on world trade will become even more marked.

Canada's exports to the EEC in 1971 were $1.1 billion, a drop of 8 per cent from the record $1.2 billion in 1970. The pause in the rate of economic expansion of member states meant cutbacks in imports of primary materials, and Canadian export sales dropped, along with those of other suppliers. The winding up of deliveries under a large aircraft sales contract to the Netherlands was reflected in the reduced over-all level of exports of Canadian manufactured goods to the Community. Nevertheless, 1970 was an exceptional year, well above the trend line of the 1960's and, despite the decline, Canadian exports in 1971 were nearly a third above the 1969 level of $855 million. Canadian imports from the EEC were worth $935 million in 1971, an increase of 16 per cent over 1970. Looking forward to enlargement, the Community will become Canada's second largest export market, worth more than $2.5 billion, representing about 15 per cent of our total sales abroad.

At this time, prior to both the enlargement and the expected deepening of the Community's role and responsibilities, it may be interesting to look at certain trends in the foreign trade of the EEC during 1958-1970, the period in which transition to an internal common market took place, and also at Canada's changing export patterns with the Community in that period.

Trade among member states grew much more quickly between 1958 and 1970 than with third countries. This is not surprising; one could expect such a result from the creation of a common market. Intra-Community trade has grown more than six times, from $6.8 billion in 1958 to $42.8 billion in 1970, and imports from outside countries grew from $16.2 billion to $45.6 billion.

All six member countries increased the proportion of their imports from within the EEC; France, Italy and Germany more so than the Benelux countries. Over-all, intra-Community trade jumped from 20 per cent of members' total imports in 1958 to 47 per cent in 1970.

Trade in agricultural products shows the most marked change — in 1958 only 16 per cent of total imports came from other member states — in 1970 the proportion was 42 per cent. There was also a significant shift in the trade patterns for semi-fabricated and manufactured goods — 61 per cent intra-EEC in 1970 compared to 51 per cent in 1958. The relative share of primary and energy materials in intra-Community trade dropped from 21 per cent in 1958 to 9 per cent in 1970. Even so, it is interesting to note that the EEC appeared to be relatively more self sufficient in primary materials in 1970 than in 1958, depending on third countries for 79 per cent of total imports in 1970 compared to 88 per cent in 1958.

Canada's exports to the EEC increased from $422 million in 1958 to $1.2 billion in 1970, a rate of growth of 198 per cent, somewhat above the 182 per cent increase in total EEC imports during the same period. Canada thus maintained its share (2.6 per cent) of the Community market, but with a mix of exports more closely resembling those of the developing countries — agricultural and primary products represented over 70 per cent of Canadian exports in 1958 and 63 per cent in 1970. Canada's sales did, however, increase at a rate substantially greater than those of the developing countries — 198 per cent compared to 135 per cent. But Canadian exports were below the over-all growth rate of 211 per cent for developed countries. More particularly the growth in exports of semi-fabricated and manufactured goods, while increasing by 234 per cent, fell well below the over-all growth of 377 per cent in EEC imports of manufactured goods and the growth rate of 327 per cent achieved by other developed countries.

Most striking is the rapid increase in Canadian exports of primary materials to the EEC, far exceeding the rate of increase of total EEC imports of primary materials. This is consistent with the trend of faster growth of developed countries' exports of primary materials compared with those of developing countries — 107 per cent compared to 58 per cent. The United States and East European countries also increased their exports of primary materials significantly between 1958 and 1970 — 101 per cent and 250 per cent respectively.

On the other hand, Canadian agricultural exports grew slowly, by 70 per cent compared to the over-all rate of increase of 80 per cent and, more strikingly, well below the growth in U.S. agriculture exports of 188 per cent.

Canada appears to have done less well in trade with the EEC than our major rivals. Data suggest that Canada, less strong in exports of capital goods and high technology products than the United States, Britain or Japan, yet not a source of low-wage-cost goods, falls between these two relatively high-growth areas of exports of manufactured goods to the Community.

Germany's Krupp organization built this huge gantry crane for a Swedish shipyard

The more rapid growth of exports of primary materials and the slower rate of growth in sales of agricultural and manufactured products has changed the profile of Canadian trade with the Community quite significantly between 1958 and 1970.

From 1958 to 1970 Canada's exports to the world increased by 229 per cent, compared with 198 per cent to the EEC. However, if the United States is excluded, we find that sales to the EEC increased only a little less rapidly than to other overseas market.

While the Common External Tariff and other elements of a common commercial policy give the EEC its legal identity as a common market, the Community still represents a number of different national and regional markets, each with distinctive industrial and agricultural characteristics and consumer buying habits. Germany is the largest import market in the Community and in 1970 took in about 36 per cent of the Community's total imports. France and Italy followed with 22 and 19 per cent, and the three Benelux countries totalled 23 per cent.

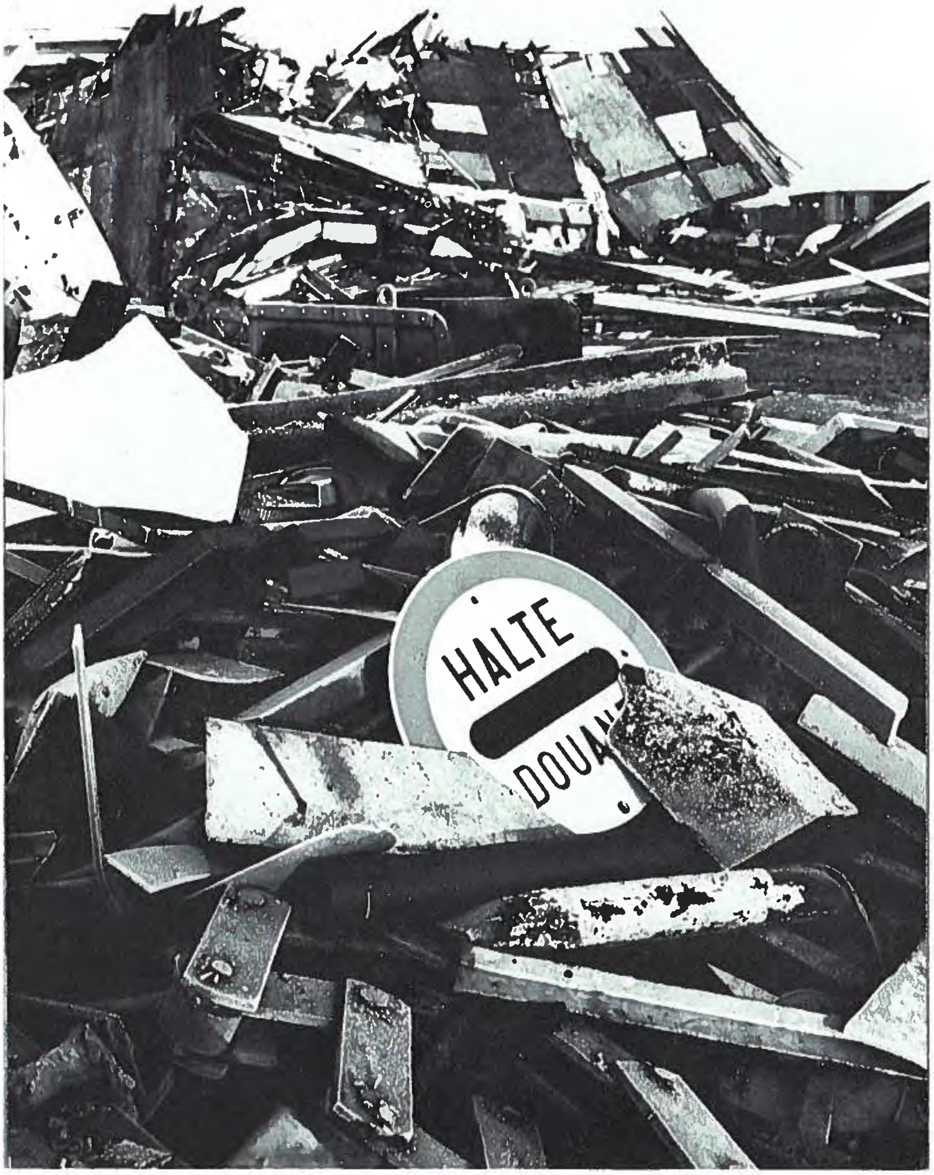
There are variations in the 'import profiles' of the individual member states. Germany imports relatively more semi-fabricated materials and consumer goods and less energy materials; France is closest to the over-all average, with slightly more emphasis on capital goods and less on semi-fabricated materials; Italy varies rather sharply, with emphasis on petroleum and agricultural imports but is below the EEC average for both capital and consumer goods. The Benelux countries also vary from the Community norm — Belgium with a strong emphasis on semi-fabricated imports, the Netherlands with more emphasis on petroleum imports but less on primary materials or semi-fabricated goods.

France stands out as the market showing significantly less over-all import growth than its EEC partners, particularly of agricultural and primary products. Italy, on the other hand, was a strong market for outside imports, above the Community average for every category, particularly agricultural.

Comparing Canada's exports to the EEC countries in 1970 with the total imports into the Community that year points up the relative emphasis on primary materials (48 per cent of our total exports compared with 19 per cent of EEC total imports — 37 per cent if petroleum is included). Manufactured goods made up 11 per cent of our total exports compared with 20 per cent of EEC imports. (In 1971 manufactured goods made up an even smaller proportion.) Nevertheless, the pattern of Canadian exports to the EEC, by country and by commodity, are close to the over-all pattern of imports by member states.

Canadian business should be able to sell more manufactured goods to the enlarged Community. The modest sales of $250 million in 1971 to Britain and the EEC represented only 1.3 per cent of Canada's total exports that year.

The market exists. The EEC imported finished goods worth more than $10 billion in 1971, not to mention the $17 billion intra-Community trade in manufactured goods. Canada's share was only $108 million, or one per cent. There is scope for further penetration into this rich and growing market — more aggressive selling will win Canadian business firms a larger share. With enlargement, the time is ripe to push aggressively into this market of 260 million, a combined gross national product of $640 billion and, most important, an import market which probably will be worth more than $75 billion in 1973.



Progress Toward Further Integration

J. L. N. VILLENEUVE,
Second Secretary,
Mission of Canada to the EEC

Over the last two years, the Community has concentrated its efforts on negotiations for enlargement with the four applicant countries — Britain, Ireland, Denmark and Norway. This demanding task put pressure on the timetable of the Council of Ministers, causing a slowdown in the integration of the Community. During this period, the executive body of the Community, the Commission, put forward proposals to harmonize the policies of various member states and to reinforce integration, but the Council took decisions on only a few.

The economic measures taken by the United States on August 15, 1971, brought to the fore the need for a common European voice in economic and monetary affairs, and provided an impetus to relaunch the Economic and Monetary Union (EMU) which had been at a standstill since Bonn's decision of March 1970 to float its currency. The Ministers decided last March that the Community must strengthen its position in economic and monetary affairs in order to face the U.S. challenge and decided to begin the first phase of the EMU, which calls for closer co-operation in the monetary sector. This progress is another step in the direction of harmonization of taxes, elimination of regional disparities and the completion of a Common Market without trade barriers.

Having completed a customs union on July 1, 1968, by adopting a common external tariff and legislation on free movement of goods, labor, services and capital, the Six are now working to transform it into an economic union with a common currency by 1980. The Six realize they can reach this goal only by harmonizing policies affecting their economic developments. Therefore they are aligning their economic and monetary policies to establish a common strategy for industrial, regional, technological and social development.

To realize a single market, the Community has already largely adopted the competition (cartel) rules and the elimination of state monopolies. However, substantial work still must be done to harmonize laws and taxes. The Commission is working to co-ordinate laws governing right of establishment for firms, recognition of educational and professional qualifications, patents and trade marks, award of public-work contracts and safety and health.

To complete fiscal harmonization, and in addition to the value added tax, the Community is proposing alignment of excise duties and company taxes. Common excise duties are already levied on a few items such as tobacco, spirits and gasoline. Harmonization of some direct taxes and removal of double taxation of dividends and interests are also proposed.

The Treaty of Rome states specifically that common policies must be developed for agriculture, commerce, transport, industry and regional matters. Some progress has been made toward these objectives, but it has been slow in some instances and not always positive.

Since January 1971, the Community has applied a common commercial policy toward other countries. The most important step toward this policy was taken on July 1, 1968, with the introduction of a common external tariff. Since then, the Community has also adopted a common anti-dumping policy, a common procedure for the opening of quotas and common rules for imports of industrial products from non-Community countries. Common rules towards imports from the COMECON countries were adopted in December 1969.

The Commission is responsible for the commercial relations of the Community but in trade negotiations with third countries its freedom is limited by a mandate from the Council. Under the mandate, the Commission can lower or suspend duties so that imports can enter at reduced rates or free to compensate for Community deficits.

There are only a few items now entering duty free or at reduced duties on quotas. Those of importance to Canada are wood pulp, newsprint, lead, zinc and ferro alloys. After enlargement, all these quotas, except for wood pulp and newsprint, will be phased out gradually and new ones will be introduced for plywood and phosphorus.

The Commission is now working toward harmonization of various rules affecting trade and policies, such as export-credit guarantees. The aim is to complete the common market and develop a uniform policy toward third countries. This policy will be administered at Community level.

Common Transport Policy — The basis of a common transport policy is contained in the Treaty of Rome, Articles 74 to 84, which specify that all transport companies of member states will have equal access to the Community market. The Common Transport Policy, approved in 1958, covers roads, railways and inland waterways. Maritime and air transport were omitted, as Article 84 (1) specifies that harmonization in these sectors will proceed only if all six member states agree. No agreement has yet been reached.

Co-ordination in the transport sector of the Community progressed slowly. The first decisions were only made in July 1968. At that time, the Council adopted uniformity of competition rules for road transportation and railways; for the establishment of consultative mechanism for investment in infrastructures and for the co-ordination of assistance by member states to the transport sector.

The hesitancy in establishing a total common policy for transport reflects the complexity of the task ahead and the low priority assigned to this problem.

The Commission, however, is anxious to see major decisions in this field and has continued to put forward proposals to the Council. The main ones now before Ministers deal with organization in the transport sector (e.g. rules of access to the profession and to the market), tariff adaptations on infrastructures and financial reorganization of railway companies.

It is obvious more co-ordination in the transport sector is necessary for further integration of the Community. There are indications that substantial progress will be made as the success of the Common Regional Policy and the Economic and Monetary Union depend largely upon the efficiency of the transport sector.

Regional Policy — In its memorandum of 1969, the Commission presented the Ministers with guidelines for a common regional policy and urged them to pay special attention to the serious problem of regional disparities in the Community. In spite of substantial wage increases and improvement in the standards of living, several areas of the Community continue to face poverty, while industry has been concentrated in other areas.

The Commission sees its role in regional development as complementary to the regional policy schemes of member states. The Commission encourages harmonization and co-ordination of member's efforts and intervenes when necessary, by Community actions. Such intervention would be subsidized through Community institutions such as the European Social Funds, FEOGA and the European Investment Bank.

Since adoption of basic principles for a common regional policy, the Council has also agreed to the Commission program which takes in the following priorities: the problems created by the backward regions of the Community; the difficulties resulting from further integration; regional impacts of common policies, mainly the farm adjustment program which should be implemented in close co-ordination with the regional policy which, in turn, will promote industrial activities in these underdeveloped regions; and economic problems that integration may cause in certain areas.

However, the Commission's program has not yet been implemented, therefore, the Council still has to make decisions on most proposals. It is unlikely that progress will be made before enlargement (January 1, 1973).

The regional problems in an enlarged Community will be more complex as certain regions of the new member states will also need assistance. The level of development of certain regions of the enlarged Community is substantially lower than the average of the existing Community. To create an economic union, it is imperative that this gap be narrowed before fiscal policies, budgeting and monetary policies can be co-ordinated for the effective operation of the EMU.

Common Industrial Policy — In March 1970, the Commission outlined a plan for a common industrial policy. Its main theme was that the Six should remove legal, fiscal, political, social and psychological barriers so as to encourage the development of multi-national European firms. The Community wants to modernize its industries and is encouraging mergers that will help to establish multinational European firms, able to compete with United States and Japanese firms and serve a single market of, after enlargement, 260 million consumers.

In June 1970, after considering the Commission's proposals, the Six set up a nine-point program to: achieve a common market for capital equipment and advanced technological products; promote the Community's technological development; improve technological co-operation with non-member countries; achieve conserted action on foreign investments; adopt a European company statute and more flexible arrangements to help firms to regroup; co-ordinate methods of financing industrial development; investigate regional aspects of industrial policy; harmonize conditions on which government credits are granted; and to examine the role of nationalized industries in a common industrial policy.

Since then, the framework of an industrial policy was discussed by the Council and the European Parliament, but few concrete decisions have been reached. It is accepted that European firms must become stronger. They should co-operate in such activities as research and development and investment programs abroad if they are to remain competitive internationally. It is also essential that technical standards, health requirements, taxes and laws be harmonized so that all European firms will be on the same footing in the European market.

To achieve these objectives, the Commission has, since 1958, emphasized the need for an energy policy to help Community industries to become competitive on world markets, with security of supply and avoidance of dependency on politically uncertain outside sources.

To improve its competitive position, the Community is also trying to narrow the technological gap with the United States. In October 1967, the Council set aside seven fields suitable for technological co-operation; computers, telecommunications, transport, noise and pollution control, meteorology, oceanography and metallurgy.

A common industrial policy cannot be implemented quickly. Such a policy will replace the existing industrial strategy of member states and this varies from country to country. Furthermore, the proposed improvements are costly and need to be initiated by political decisions. In practical terms, the member states will have to adhere to supranational rules to govern their own industrial destiny. Because the Community has no single political voice, and it has adopted the EMU with difficulty, it is certain that progress toward a common industrial policy will be precarious until all members decide to unite their destinies economically and politically.

The Commission, in pursuing further integration, is concerned with every element: economic, industrial, social and human. The task is enormous and the pitfalls numerous because the traditional way of life is being so profoundly and permanently affected. But integration is inevitable and progress will be determined by the decisions which will have to be made in years ahead.

The August 15, 1971, measures taken by the United States demonstrated the need for a coherent EEC trade and monetary system. Every country within the Community is conscious of this need but has been unable to agree on a formula acceptable to all.

To have a single voice, a common position is needed. To develop a common position further integration of the Community is essential.

A working windmill is now a rarity, but the stooks are a common sight. Grain prices in the new member countries were agreed upon last July. The expected greater livestock production in the enlarged EEC will probably stimulate production of grain for feeding purposes.

Agricultural Policy Pledges Consideration for Outside Suppliers

The entry of Britain, with its larger farms, may pose problems for other members of the EEC. It will be, however, the largest importer of foodstuffs and may stimulate production in other member states by providing another outlet for farm produce such as these beans a Belgian worker is busily harvesting.

V. F. WIGHTMAN,
First Secretary (Agriculture),
Mission of Canada to the EEC

With their signing of the EEC Treaty of Accession, Britain, Ireland, Denmark and Norway accepted the Community's Common Agricultural Policy (CAP), subject only to certain transitional measures and protocols designed to avoid disruption of formal trade commitments.

Title II of Part Four of the Treaty of Accession, sets out the steps whereby member states adjust their varying agricultural policies to the common policy the Community has built up over the past 10 years. The CAP has certain basic ground rules: common agricultural prices throughout the Community, which are determined by the Council of Agriculture Ministers in Units of Account (one unit equals about U.S. $1.08) and then converted into national currencies; common policies on trade, price support, farm improvements, etc., which are then operated by individual states: common financing whereby support operations, import levies, export rebates and a certain share of modernization programs are financed through the EEC fund; and Community preference, a preferential margin accorded to Community producers over outside suppliers. More specifically, the EEC market is protected by a variable levy, which is adjusted with changes in offer prices at ports of entry so that outside suppliers cannot undercut EEC support arrangements. Conversely, export rebates are available to make up the difference between the higher EEC and the lower world price and thus facilitate placing of export surpluses. The scale of both levies and rebates is decided by the Commission in Brussels and is the same for all member states.

Under the Treaty of Accession, agricultural tariffs will be subject to a similar five-year transitional period as industrial tariffs. The CAP mechanism will affect new members beginning in February, one month after the date of membership, and the five-year transitional period will be used to bring agricultural prices of the new members into line with those of the original Six. This will be done in six stages so that early in 1978, prices in the market and returns to farmers will be the same throughout the Community, except for Norway which has special arrangements. If difficulties arise during the transition, the Council may permit a variation of not more than 10 per cent from the timetable. The British deficiency payments system will be retained only so long as British farmers receive a lower market price under the CAP than is now guaranteed by their Government.

The tariff adjustment for agricultural products outside the levy system will be the same as in the industrial sector, with reductions of 20 per cent a year between the Community and new members while the EEC tariff is phased in at the rate of 40 per cent on January 1, 1974, and 20 per cent each following January 1, to be completed by the beginning of 1978.

With the introduction of the CAP for new members, the bulk of their agricultural imports will become subject to the EEC levy system. During the five-year period of adjustment to a common price level, producers' prices will be protected by a "compensatory amount" on products traded between the Six and the new members. In Britain, Ireland and Denmark, producers' prices are generally lower than in the EEC and will remain so until the final alignment. In these circumstances, the Community will pay out a compensatory amount (export rebate) on its exports to these countries to make up the difference which will also incorporate a Community preference over outside suppliers. Similarly, this compensation will be applied in trade between new members until the common price level is attained. In the case of British horticulture, where returns to growers have been above the EEC level, particularly for apples and pears, a compensatory amount will be added to the export value of EEC produce. This will apply equally on imports from outside suppliers. In accordance with the ground rules of the CAP, no quantitative restrictions may henceforth apply, except as a safeguard measure in the event of market disruption.

In July, the Community and new members had a trial run on the practical application of these measures when they decided on future grain prices even though these prices will begin to apply only on February 1. Another reason for the trial run was that grain prices provide the cornerstone for related field crop pricing and also for so-called derived products such as poultry, eggs and pork. Grain prices in new member states were agreed on July 17 by the Council meeting for the first time with Agriculture Ministers of all 10 countries. Norwegian prices were deferred, but for Britain, Ireland and Denmark, the Council adopted: a representative support price for wheat and barley in a specific growing centre (Cambridge in the case of Britain) which is equivalent to present growers returns in the respective countries; support prices at the ports (for Britain's seven ports in the south and east and four on the west coast) and compensatory amounts to be paid on exports from the present EEC to the new members, which represent the differences between the support level of grains in the respective ports.

The new members will have to calculate the scale of import levies on imports from outside countries, i.e. the difference between the landed price of foreign grain and their support level. Britain already has a similar system in operation, its minimum import price system. Export rebates will also be available to make the new members competitive in the world market. During the fall, similar arrangements will be worked out for other products coming under the CAP.

Certain other provisions were incorporated as protocols to the Treaty of Accession at Britain's request. Britain will continue to honor its purchase commitments under the Commonwealth Sugar Agreement until its expiry, February 28, 1975. The Ten will continue to apply production quotas for beet sugar and, as Community provisions expire in mid-1975, the enlarged Community will then have to determine a future sugar policy, in particular the share of the market to be accorded imports from less developed countries. Secondly, because of New Zealand's dependence on outlets in the British market for its dairy products, Britain may continue to import from New Zealand specific quantities of butter and cheese at a price equal to the average from 1969 to 1972. Before the transitional period ends, the Council will consider the future of butter, taking into account a possible international agreement on dairy products and New Zealand progress in lessening its dependence on butter outlets in Europe.

The EEC and applicant countries were not able to negotiate any mitigation for other agricultural suppliers to Britain which, beginning next year, will face radically changed terms of access. However, one of the protocols contains a safeguard clause on agricultural trade that recognizes that the aim of the enlarged Common Market is meshing of agricultural markets, which will involve some diversion of trade. Nevertheless, the enlarged Community is pledged to consider problems, which could arise for outside suppliers due to changes in terms of access in the acceding states. This promise provides assurance of sympathetic consideration if problems arise for Canadian exports.

From the beginning, agricultural financing will be handled through the EEC fund FEOGA (Fonds europeen d'Orientation et de Garantie agricole). This means that cost of support operations, export rebates and part of the farm improvement programs will be met by the FEOGA but, at the same time, members will contribute to the Community budget proceeds of import levies, almost all customs revenue and any additional sums required to meet joint costs. The EEC budget this year is about 4 billion Units of Account and will rise to an estimated 5 billion with enlargement in 1973. About 80 per cent of the budget is reserved for agriculture.

During negotiations, Britain, as largest importer of foodstuffs, was concerned that large transfers to the Community budget might lead to strains on its balance of payments. It was agreed therefore that during the transitional period, a ceiling would apply to budget contributions from new members; the ceiling for Britain rising from 8.64 per cent in 1973 to 18.92 per cent in 1977.

Fisheries caused a last-minute roadblock to negotiations after agreement had been reached on the main agricultural provisions. Just a year earlier, in the fall of 1970, the Six had adopted a common fisheries policy, with regard to both marketing and structural improvements. They had with difficulty agreed on free access for fishing vessels of the Community to the territorial waters of members, except for certain areas where the coastal population was heavily dependent on fishing. Three miles exclusive rights might be reserved in these areas.

The applicant countries had no particular objection about the EEC marketing provisions, but all wanted to retain exclusive fishing limits of six miles, plus 12 miles for certain areas greatly dependent on fisheries. The problem was resolved by according all states of the enlarged Community six miles fishing rights to 1982, and extending rights to 12 miles for certain specified areas. Within six years, the Council will have to determine what regime will follow after 1982.

At present, most of the new and old members have sizeable agricultural economies. With enlargement, EEC production in grains would increase by almost a third, from 70 to 90 million tons (based on 1970 statistics). For barley, the figure doubles to almost 30 million tons; for sugarbeet, another 10 million tons would be added to the present Community's 50 million; milk production would be almost a third higher, from 75.8 to 98.9 million tons; beef and veal would jump from 3.9 to 5.4 million tons and pork from 4.4 to 6.2 million tons.

The degree of self-sufficiency (based on recent production figures) will change with enlargement. The surplus rate for the Six of 104 per cent for wheat, 110 per cent for sugar and 106 for milk will decline for the Ten to a deficit of 91, 81 and 86 per cent, respectively. In other sectors, the reverse will occur. The deficit rate for the Six of 99 per cent self-sufficiency in pork and 88 for beef and veal will become 104 and 96 respectively.

The foregoing, of course, are hypothetical calculations. Profound changes are in store for the countries concerned which, in time, could alter the structure of their agricultural economies. For new members, it means replacing their national marketing policies with the CAP mechanism, considerably higher prices in all but Norway, and different price relationships between field crops and animal products. At the same time, retail food prices will increase with adverse effects on consumption.

Within the Six, enlargement is welcomed because it will provide new outlets at preferential prices, but there are also concerns over competition from the larger highly productive farm units of Britain and Denmark (average size in Britain is 80 acres compared with 30 for the EEC). There is also the realization that introduction of EEC prices will foster higher output in the new status and reduce market potential for other producers of the Community.

Various studies are beginning to appear on the longer-term implications of enlargement on the agriculture of these countries. All show that higher prices can be expected and will result in considerable production gains in Britain, Ireland and Denmark. Many of these studies suggest that this could lead to much higher output in all products. However, given the limited agricultural area of these countries, immediate increases seem hardly possible. For the longer term, various agricultural regions of the enlarged Community may decide to specialize in what they can produce most efficiently. Experience in the first decade of the EEC shows, however, that this is slow to materialize and that the stimulus of a larger market and higher prices, coinciding with greater productivity, has brought gains in most types of production.

So far, studies all agree that grain production will be stimulated although this may be significant only in Britain. Grain feed is expected to gain from the stimulus to livestock production but the increase could be slow if, as in other countries, there is greater use of lower-cost substitute concentrates. The oilseeds deficit of the Ten will remain large, but the EEC support price for rapeseed could encourage its production, particularly in Britain. Three of the new members have a natural affinity for dairying and production will be encouraged by EEC pricing. At the same time, consumption, particularly of butter, may be discouraged by higher consumer prices. The Six are not too hopeful of increasing their share of the British dairy market, in the short term, because of Britain's commitment to New Zealand and, in the long term, because of production incentives in Britain, Ireland and Denmark. These three countries are also expected to expand their beef herds. Ireland especially will benefit from the beef deficit in the Six and Denmark is expected to expand its pork production.

There is an awareness in the Community of a need to reconsider the agricultural price structure and especially the relationship between field crops and livestock production in favor of the latter. The problem will become more pressing with enlargement. In recent years, EEC prices have increased regularly in response to higher farming costs, inflation and pressure from farm groups. This type of relief will become more difficult as the new members begin to move their prices upwards to the EEC level which they hope to see stabilized. The existing Community has programs to accelerate movement out of agriculture and to enlarge and modernize EEC farms, but this is admittedly a long-term project. The basic question, therefore, is how to bolster farm income without incurring surpluses and how to ensure the farm sector its share of an expanding economy. It is recognized that prize policy alone is unable to achieve these aims and there is increasing talk of some type of income supplement to assist low-income farmers.

What it means for Canadians — These changes are occurring in an area of considerable importance to Canadians. Agriculture accounts for about a fifth of our total exports to both the EEC and Britain (1971 figures). Ten per cent of our total agricultural exports go to the EEC, and 13 per cent to Britain. In 1971, our combined exports to the EEC and Britain of live animals, food, feed, beverages and tobacco amounted to $496 million, second to the United States which totalled $615.6 million.

The main impact on Canada will be changes in the terms of access to the British market. In adopting the CAP next year, Britain will replace its tariff structure, which included preferences and often duty-free entry to Commonwealth suppliers, with import levies which contain preferences for the EEC member states. It should be recognized that Britain had already introduced its own levy system with minimum import price for certain commodities such as grains and beef, but this new development will be far-reaching. British agricultural policy has been undergoing a gradual change over the past decade as the country's earlier full reliance on deficiency payments to protect domestic producers, plus a policy of low-cost food for the consumer, has gradually given way to minimum prices at the border combined with import levies. This policy change developed initially to reduce the cost to the government of agricultural support and later as an early adaptation to the EEC system.

For agricultural products subject to tariffs, Britain will adjust its rates to the EEC level during the transitional period, 1973-78, while tariffs in trade with other EEC countries gradually move to zero. In this group, Canada will retain its relative preference over other non-preferential suppliers during that period, but the margins will decline and will disappear after five years. We shall then be on an equal footing with other outside suppliers such as the United States and Australia.

Our main farm exports will therefore be subject to the import-levy system which is to be introduced on February 1 and the scale of levies will gradually increase as British prices rise to full EEC level. The EEC levy mechanism applies to such goods as grains, sugar, dairy products, beef and veal, pork, poultry and eggs. In other sectors, such as fruits and vegetables, there are minimum import prices where compensatory taxes may be applied in the case of low-price offers. However, access will remain much as it is at present for oilseeds and for certain fisheries products of interest to Canada.

CARL C. PEDERSEN,
First Secretary,
Mission of Canada to the EEC

If all goes according to plan, January 1, 1973, will see the creation of the largest free trade area the world has ever known. On this date, the agreements signed by the European Community last July with the EFTA members who had not asked to join the EEC — Sweden, Austria, Switzerland, Finland, Portugal and Iceland — will enter into force and create an industrial free trade area of some 300 million people which in 1969 produced a total GNP of approximately $645 billion and traded $238 billion worth of goods. This is greater than the combined foreign trade of the United States and Japan which in the same year exchanged goods valued at $73 billion and $31 billion respectively.

The creation of this free trade zone reflects the determination on the part of member countries of both the EEC and EFTA to avoid introduction of new tariff barriers in Europe after accession to the Community by Britain, Denmark, Norway and Ireland (not an EFTA member).

Furthermore, there was, in their view, a sound economic justification for trying to evolve a special relationship. In the trade field, the EFTA non-applicants are already closely linked with the Common Market; with enlargement, the EEC will become their most important export market. In 1970, 29.2 per cent of their exports went to the EEC and 49.8 to the countries forming the enlarged Community. In that same year, the EFTA non-applicants were jointly the EEC's best customer, taking EEC exports worth $9.7 billion, compared with $5.9 billion imported by the acceding countries and $6.6 billion by the United States. In this context, the non-applicants are an important outlet for EEC agricultural products, importing twice as much from the EEC as they export to it.

Other compelling reasons for close co-operation include ties in such areas as capital movements and mobility of labor, the importance of Austria and Switzerland for EEC transit trade and communications, and, more generally, the economic, financial and technological capabilities of the non-candidate countries. In this latter context, Sweden, Switzerland and Austria are important financial elements on the European monetary scene because of their reserves, stable currencies and Switzerland's key role in international banking. Switzerland and Sweden provide headquarters for large multinational corporations with significant business interests in the EEC — a recent list of 500 companies in the Western world with the largest turnover included: Nestlé (Swiss); Brown-Boveri (Swiss); SKF (Swedish); Hoffman La Roche (Swiss); Ciba-Geigy (Swiss); ASEA (Swedish); Alusuisse (Swiss); and Sulzer (Swiss). These two countries plus Austria also have much to offer in certain technological fields: aviation (Sweden); nuclear reactor construction (Sweden, Switzerland); engineering (Sweden, Switzerland); electrotechnology (Sweden, Switzerland); chemicals (Switzerland); steel (Austria, Sweden).

In spite of this broad identity of interests, negotiations were more difficult than had been anticipated and involved several months of hard bargaining. Throughout the negotiations, the Community retained its basic position that any new relationships with the non-applicants must not impinge upon its ability to make decisions as a Community, the functioning of common policies or the future development of the enlarged Community. Furthermore, agreements had to be compatible with the GATT rules covering free trade areas. The EFTA non-applicants each had special problems on which they sought accommodation. For instance, Sweden's desire for a customs union involving their adoption of the EEC tariff will not be realized for the present; Switzerland's request to obtain far-reaching provisions covering future co-operation in non-trade areas such as energy, scientific and industrial research, and monetary affairs has been watered down; Austria's efforts to include free trade in certain agricultural products will not be realized; Portugal's goal of association with the Community has yet to be attained, and Iceland will not obtain full duty-free access for its fisheries exports. Finland will realize its aim of a purely commercial arrangement that will not adversely affect its relations with the Soviet Union but is none the less facing less favorable transitional terms than it had hoped for in paper products, its main export sector. Because each if these countries had different problems and widely differing economies, six separate treaties were negotiated.

The agreements, once ratified by the various states concerned, will create a free trade zone in industrial products plus certain processed agricultural products. For other agricultural products, the agreements, with the exception of those for Portugal and Iceland which contain a substantial agricultural offer, are limited to a declaration of intent to promote trade. In general, this free trade area will be achieved by means of five tariff reductions of 20 per cent each on April 1, 1973, on January 1, 1974, 1975 and 1976, and on July 1, 1977. This timetable is parallel to the one laid down in the Treaty of Accession between the present Community and its future members. The Community did not find it possible, however, to envisage dismantling duties on all industrial products by July 1, 1977. For certain sensitive products, therefore, a longer transitional period had to be introduced. A system of target ceilings on imports of these products into the Community will also

Agreements Create Free Trade Area with EFTA non-applicants

be introduced so as to take account of rapid changes which might result in abrupt dislocation of industrial sectors already experiencing difficulties.

Of particular interest and concern to Canada was the paper industry, for which tariffs will not be eliminated until January 1, 1984.

Non-applicant exports of paper and paper products entering the EEC at the reduced tariff rates will be limited to a ceiling which, for 1973, will be based on average exports (1968-71) plus an allowance for market growth of an average of 12 per cent. From 1974, the ceiling will increase annually by 5 per cent. Imports over and above the ceiling will be subject to the Common External Tariff. The bulk of non-applicant exports to Britain will enter that market under an 11-year duty-free quota. The quota for the initial year, 1974, will be based on their average exports to Britain between 1968 and 1971. Exports over and above the quota will face a tariff rising to 8 per cent in 1977 and diminishing to nothing by the end of 1983.

To regulate this trade, the agreements include rules of origin, rules of competition and safeguard clauses. Rules of origin guarantee equality of treatment for products originating in third countries with a view to their inclusion in the free trade arrangements. This is especially important because these agreements make no provision for a custom union nor do they contain any obligation to harmonize legislation. The rules of origin are comparable with those already applied by the Community in its existing preferential agreements. Rules of competition prohibit monopolies, agreements restricting free trade and subsidies that would undermine fair competition. Free trade in any product or sector may be halted during and after the transitional period by the contracting parties by invoking safeguard clauses if there are difficulties with balance of payments or in sector or regional matters. Prior consultation would normally take place before their application but could be circumvented in cases of "urgency".

The administration of the agreements will be under authority of mixed commissions composed of the Community and the individual signatories. These commissions will normally meet twice a year and are empowered to make decisions and formulate recommendations within the framework of the agreement.

The agreements, with the exception of the one with Finland, allow future development into new areas such as energy and industrial and scientific research.

The rationalization of industrial production already achieved under EFTA, plus the five-year transitional period to move to free trade, is expected to enable the non-applicants to adjust to the new conditions of competition inside a larger free trade area. The new arrangements are expected to act as a stimulus to trade and to foster greater economic growth over the longer term. Trade diversions which arose from trade barriers between the EFTA and EEC should now largely disappear; current patterns of trade are expected to change in many cases, primarily where tariffs now make goods non-competitive.

It will be interesting to see how relations between the non-applicants and the Community evolve in this enlarged free trade area. Closer links in trade and industrial policy, for example, are bound to develop if this area is to compete effectively with the United States and Japan. The countries in question are also well aware that their aim of a strong and prosperous Europe cannot be predicated on trade policy only; over the past few years the importance of co-ordinated ecomic policy has come to the forefront. This should lead to greater co-operation with the EEC in its proposed economic and monetary union, more particularly, the liberalization of capital movements within the EEC and with the European monetary co-operation fund. Certain signatories such as Sweden, Switzerland and Austria may also co-operate in future on the development of European industrial policy, on protection of the environment and on East/West economic matters in Europe.

As the agreements between the EEC and the non-applicants are strictly bilateral, the latter will continue to apply the Stockholm Convention, the basis of EFTA, to ensure maintenance of free trade among themselves.

Effect on Canada — For Canada, the agreements represent a deterioration in our competitive position in the markets of all 16 countries entering into this industrial free trade area. These changes will be more significant in the important British market: at a time when our preferential access is being replaced by the EEC Common External Tariff, the exports of the EFTA non-applicants continue to receive duty free entry and EEC member states move toward duty free entry. In the markets of the EFTA non-applicants, Canadian exports ($113 million in 1970) will continue to face the same national tariffs which are applied now, but Community exports benefit eventually from free trade. This will no doubt lead to some displacement of Canadian exports. But the shorter term negative effect on Canadian trade may be cushioned by the transitional period which will give Canadian exporters time to adjust to this changing situation. And Canada's less favorable competitive position may be partially offset by intercorporate ties and by new arrangements whereby subsidiaries of Canadian companies in Europe would have full access to this enlarged trading area. In addition, enlargement of European free trade will prove a powerful stimulus to economic growth and should create new trading opportunities for third countries, including Canada.

france

An underrated market

CLAUDE T. CHARLAND, Minister-Counsellor (Commercial), Paris

Last year France embarked upon the Sixth Plan — a comprehensive blueprint for economic and social development for 1971-1975. The Plan provides for an annual growth rate of between 5.8 and 6 per cent, higher than any other country in the European Economic Community (EEC). This entails an annual increase in industrial production of 7.5 per cent, a bold objective considering that France had an average increase of 6.5 per cent a year between 1960 and 1968, and 6.8 per cent under the Fifth Plan.

The targets which the Government has set are regarded as ambitious and reflect the country's ultimate goal of overtaking West Germany within the next 10 years. Recent economic indicators, however, point to an increase in the GNP that would barely reach 5 per cent and a similar rise in industrial production; the main stimulus coming from a strong consumer demand and, to a lesser extent, exports, which are now picking up with the improvement of conditions in West Germany, France's main customer.

Already, there is concern over the apparent slippage between the established objectives and actual performance. In effect, the Government is faced with the classic problem of having to stimulate industrial investment while keeping inflationary pressure in check. The tendency so far has been to accelerate investment programs in the public sector while progressively reducing interest rates and relaxing price controls. However, attainment of the combined goal of a high growth rate and price stability may well mean a downward revision of some of the main targets of the Sixth Plan. In any case, a growth rate of 5.6 per cent is now forecast for 1972 and it is safe to predict that France's economic performance over the next five years will be strong and may even outstrip that of her main trading partners.

It is against this background of restored confidence and relative buoyancy that Canadian exporters will be able to attempt to penetrate further the French market — a market they have not always tackled with the vigor and determination they normally demonstrate elsewhere.

And yet Canada's export performance in recent years has been far from discouraging. If our sales to France did not show any significant increase last year, they registered a dramatic rise of 90 per cent between 1968 and 1970 and have more than doubled during the last decade.

The fact remains, however, that our share of the French market has never exceeded one per cent and, more important, that the composition of our exports does not reflect the capabilities and innovative capacity of Canadian industry. It follows that opportunities in France for the Canadian export community exist both in quantity and quality.

There is often a tendency to underestimate the importance of France as a trading partner. Apart from the fact that it ranks ahead of Canada in world trade, it should be realized that its GNP is almost double that of ours. Also, in terms of GNP, France is well ahead of Britain and rapidly closing in on West Germany and Japan. On a per capita basis, it has the highest GNP in the EEC next to West Germany. It imports more than Japan ($21.9 versus $16.7 billion in 1970) and its foreign purchases have increased at the rate of 11 per cent in the past five years. It boasts more cars per 1,000 inhabitants than any other European country except Sweden, and its purchasing power per capita is among the world's highest.

The inner strength and resilience of the French economy, its industrial depth and striking advances in the fields of science and technology, not to mention its status as a leader in European affairs, all contribute to make France a particularly valuable trading partner.

The French market is not easy to penetrate, although it presents relatively few access problems, particularly in the industrial sector. It is sophisticated and admittedly requires more effort and imagination than many other European markets.

In approaching the market, the exporter would do well to remember that an increasing part of French industrial production is taking place outside the Paris area. The Government is determined to decentralize production and reduce economic disparities between Paris and the provinces. One of the major themes of the Sixth Plan is the notion of "regionalization' and top priority has been given to infrastructure improvements in regions where development has been hampered by inadequate transportation, distribution or communications facilities.

Probably the most dynamic and significant industrial centre outside Paris is the Rhone-Alpes region, especially in the triangle formed by Lyons-St. Etienne-Grenoble. Lyons has retained its reputation as the centre of the French silk industry, but chemicals and heavy manufacturing are now predominant. Grenoble has become the focal point of scientific and technological research, while St. Etienne specializes in metallurgy and engineering. There is no doubt that this area is earmarked for spectacular growth within the next few years.

The leading French port is Marseilles, which is also an important manufacturing and refining centre. One of the largest industrial complexes in the world is now taking shape at Fos-sur-Mer, on the Mediterranean coast. It includes the construction of steel and petrochemical works and will have dock facilities capable of accommodating fully loaded tankers of the 250,000 ton class.

The southwest has traditionally been predominantly agricultural, somewhat isolated from the main stream of European commercial traffic. However, the pattern has recently changed and cities like Bordeaux and Toulouse have formed the heart of the aerospace, electronics, oil refining and light manufacturing industries.

The northeast contributes the bulk of French production of iron ore, coal, potash and a substantial part of its steel, as well as being important agriculturally. Strasbourg, Nancy, Belfort and Mulhouse are all important industrial areas.

The north is rightly identified with the textile industry, with Lille and Roubaix as the main centres of activity. However, it has diversified its industrial base in recent years with metallurgical and engineering industries, a major petrochemical complex at Le Havre and other major enterprises at Rouen.

Smaller centres of economic importance are also found outside the main industrial area, although these tend to be restricted to a narrow range of manufacturing, such as shipbuilding at St. Nazaire; tire manufacturing at Clermont-Ferrand; metallurgy at Le Creusot and naval construction and manufacturing at Nantes.

Provincial industrial areas are all gaining in importance and should get closer attention from Canadian exporters, but Paris remains the leading commercial, financial and transportation centre of the country and its pre-eminence is not likely to be seriously challenged for years.

With an economic plan that foresees a doubling of production over the next decade, the French demand for both capital and consumer goods should be among the strongest in the industrialized world within the next 10 years.

At present, France is Canada's 11th largest market in the world and fourth largest customer in the Common Market. What is more significant is that in 1971, Canada ranked only 12th among suppliers to France, outside the franc area and excluding oil imports. Our share of the French market was one per cent, lower than that of countries like Sweden, Switzerland, Spain and the U.S.S.R.

The fault does not always lie with the Canadian exporter since tariff and non-tariff barriers have had some inhibiting effect on some of Canada's best export lines. However, many of the same barriers have been successfully overcome by other non-EEC countries competing for a share of the French market and, equally important, have not deterred Canadian exporters from getting a strong foothold in other Community countries.

Many exporters have in the past tended to concentrate all of their efforts in Paris and neglected the important market in the provinces. Some have often failed to support their local agent with sales literature or with prompt and regular deliveries of parts and servicing data. Relatively few have looked seriously at the possibility of a licensing agreement, a joint venture, the acquisition of a participation in a French company or the setting up of a subsidiary.

It is true that the last two alternatives have presented difficulties in the past and that many potential investors have been discouraged by the administrative procedure followed by the French authorities. Except for a few sensitive sectors, however, the French Government now looks favorably on foreign investments which bring technological knowhow and contribute to the country's export capacity — including sales to other EEC countries.

Although there may not be any cardinal rule on how to penetrate the French market successfully, all conventional trade promotional avenues should be explored, i.e. individual or group participation in local trade fairs, tours of Canadian manufacturing facilities by foreign buyers and, of course, personal visits to the territory.

In all instances, Canadian businessmen can count on the assistance and counsel of the trade officers in Paris. Specific marketing opportunities were reviewed in detail in the

September 1971 issue of *Foreign Trade*. They cover all sectors of industrial activity, with emphasis on aircraft components, navigation aids, environmental control equipment and services, oceanology equipment, electronics components and computer peripherals, communications equipment, industrial chemicals, food processing and packaging machinery, structural lumber, construction systems and building materials, dairy cattle, sea products and some processed foods, hotel development and recreational facilities, leisure-time items, leather garments, children's wear, outerwear, and some types of women's casual wear. This is by no means an exhaustive list and further information will be provided on request to the Commercial Section of the Canadian Embassy in Paris.

TABLE 1

SELECTED FRENCH IMPORTS, 1971 (Outside Franc Zone)

	Francs million		Percentage of total imports	
Agriculture	**13,097**		**11.8**	
Meat, fish & products		4,148		3.8
Dairy products		450		0.4
Cereals & products		473		0.4
Fruit & vegetables		2,101		1.9
Wines & beverages		812		0.7
Miscellaneous agricultural products		5,113		4.6
Energy	**15,032**		**13.7**	
Coal & products		2,273		2.1
Petroleum & products		12,759		11.6
Raw Materials & Primary Products	**12,060**		**10.9**	
Minerals & non-ferrous metals		5,572		5.0
Iron ore		785		0.7
Textiles & leather		2,466		2.2
Wood, rough and sawn		968		0.9
Other raw materials		2,269		2.1
Semi-manufactures	**20,783**		**18.8**	
Iron & steel		6,667		6.0
Textiles		1,284		1.2
Chemicals		11,674		10.6
Woodpulp		1,158		1.0
Finished products	**48,437**		**43.8**	
Capital goods	*28,727*		*26.0*	
Metal products		2,263		2.0
Machine tools		2,818		2.6
Machine for public & special work		2,010		1.8
Precision instruments		5,014		4.5
Other mechanical machines		6,803		6.2
Electric machinery & appliances		6,284		5.7
Tractors		1,115		1.0
Aircraft & ships		2,420		2.2
Consumer goods	*19,710*		*17.9*	
Automobiles		7,043		6.4
Textiles & leather goods		5,567		5.0
Processed wood & paper products		3,496		3.2
Miscellaneous		3,604		3.3
Other Miscellaneous	**1,055**		**1.0**	
Total	**110,464**		**100.0**	

Source: Statistiques du Commerce Extérieur de la France

TABLE 2

FRENCH IMPORTS BY COUNTRIES OF ORIGIN

	(Francs million) 1970	1971
Total	**106,205**	**117,997**
of which		
West Germany	23,419	26,397
Belgium-Luxembourg	11,922	12,934
Italy	9,808	11,694
United States	10,532	9,989
Netherlands	6,265	7,545
Britain	5,411	6,087
Switzerland	2,837	2,998
Sweden	2,175	2,430

Source: Statistiques du Commerce Extérieur de la France

TABLE 3

FRENCH IMPORTS BY SECTOR

	1970		1971	
Commodity sector	**F million**	**%**	**F million**	**%**
Agriculture	16,012	16.6	16,948	5.8
Energy	12,723	25.3	16,238	27.6
Raw materials and primary products	14,978	10.3	14,161	−5.5
Semi-manufactures	19,438	26.0	20,943	7.7
Finished products	41,915	15.8	48,653	16.1
Capital goods	25,456	23.4	28,740	12.9
Consumer goods	16,459	5.7	19,913	21.0
Miscellaneous	1,124	20.0	1,054	−6.2
Total	**106,190**	**18.0**	**117,997**	**11.1**

Source: Statistiques du Commerce Extérieur de la France

GERMANY

Economy reflects foreign confidence

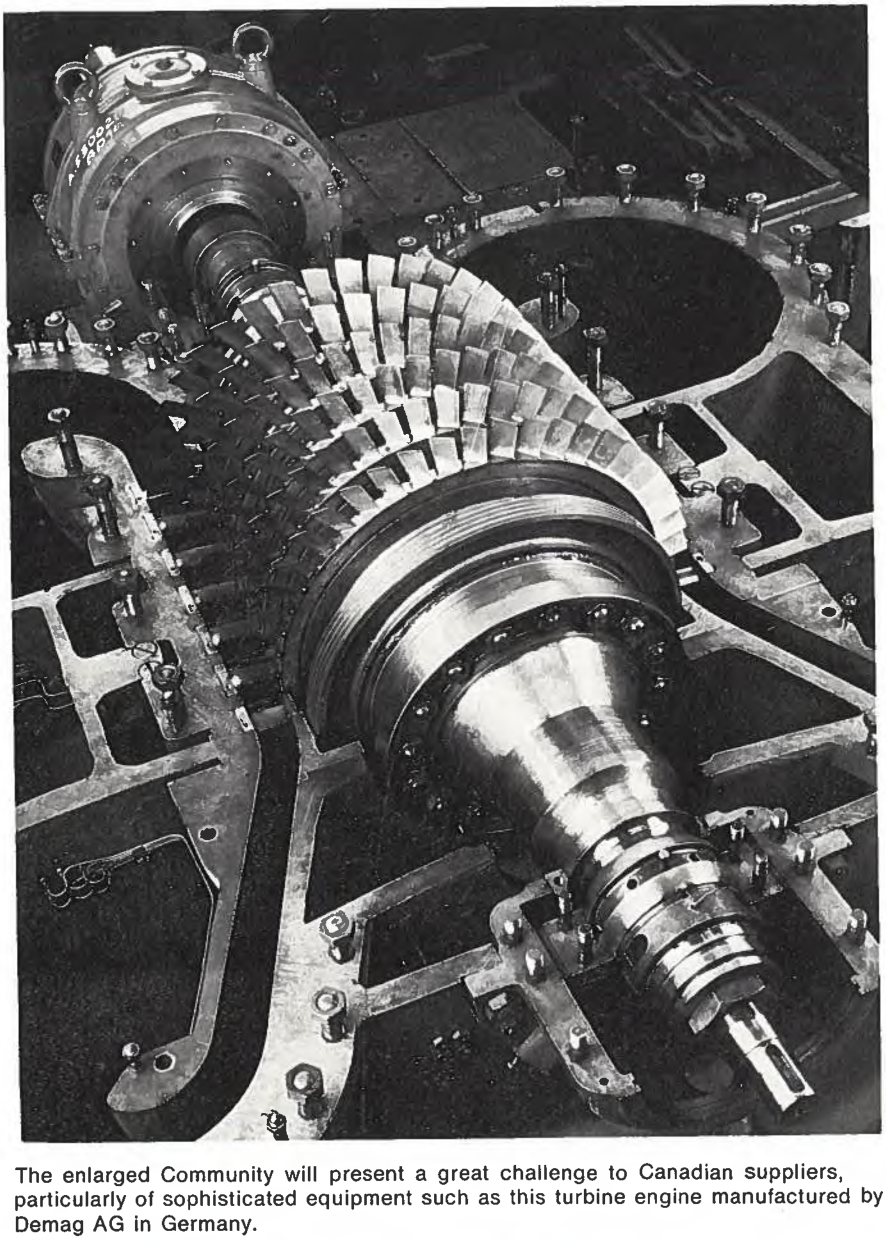
WILLIAM JONES,
Minister-Counsellor, Bonn

The last days of June and the first days of July were a period of politico-economic crisis in the Federal Republic of Germany. Oddly enough, the problem was not lack of confidence in the German economy but rather an excess of it.

In previous weeks the German Cabinet had been debating ways of stemming the inflow of speculative capital, largely U.S. dollars, into the German monetary system. One of the results of this inflow is greater availability of Deutsche Marks for loans to domestic borrowers, meaning an increase in domestic credit. This easier credit availability works directly against Government and central bank efforts to reduce inflationary pressures in an economy which, by world standards, is working to capacity and is verging on becoming overheated.

The crisis peaked in early July when the German Minister of Economics and Finance resigned. Subsequent to the sterling crisis the Minister had advocated a continuing policy of capital movement restriction that would have resulted in upward floating of the mark. It was rejected by the Cabinet, as was another plan of increased taxation and reduced public expenditure by the federal and land (provincial) governments. The Cabinet instead adopted the recommendation of the central bank that capital movement controls be tightened to discourage borrowing of funds abroad.

This conflict of ideology, controls versus laissez-faire, is the essence of the German domestic issue and proponents of the opposing points of view continue to debate the wisdom and efficacy of the chosen policy. Whatever the outcome, it would seem that foreign confidence in the German economy is fully justified. Hesitation on the part of business which resulted from the world foreign exchange crisis of the second half of 1971 appears to have fully disappeared. The German order books are growing fatter; un-



The enlarged Community will present a great challenge to Canadian suppliers, particularly of sophisticated equipment such as this turbine engine manufactured by Demag AG in Germany.

employment hovers around one per cent of the working population and job openings greatly exceed the number of unemployed.

Germany's favorable balance of trade during the first five months of 1972 was DM 7.2 billion, compared to DM 6 billion during the same period of 1971. Subject to unforeseeable events, such as substantial revaluation of the mark, this trend is expected to continue. This forecast is based partly on a comparative study of wage costs which shows that these costs, per unit of output, are increasing at a rate of only 3.5 per cent over 1971 compared to an average of 4.5 per cent in other EEC countries and 7 per cent in Japan. Optimism about the future has produced an upturn in capital spending which is expected to accelerate until at least the end of the year. Inflation will cut deeply into the forecast 8 per cent increase in the gross national product for a real increase in GNP of about 2.3 per cent.

What does all this mean for Canadian exports and Canadian exporters? A slight quickening of sales of raw and semi-finished materials to West Germany may be expected. If the optimism now prevalent here continues, it is also quite possible that basic industries will build up their inventories of raw materials in anticipation of future demand. They might also decide to import on a current need basis in the event of revaluation and consequent lower basic Deutsche Mark costs.

Meanwhile, consumer demand — the basic underpinning of the German economy — continues strong. In some sectors the backlog of orders far exceeds supply. One such area is housing, with an estimated 850,000 units to be completed this year. Issuance of building permits is increasing at a rate of 17 per cent, about the same as last year but with greater emphasis on individual homes rather than apartment blocks. To meet demand there is a noteworthy trend toward prefab housing. Canadian manufacturers cannot expect, as a general rule, to offer successfully complete prefab houses from Canada, if for no other reason than the difficulty of obtaining approval for their installation. But component suppliers, both basic material producers and manufacturers, should investigate this market. They should be able to do some worthwhile business if they are flexible and can meet local specifications.

German consumer demand appears to be turning toward clothing and household furnishings, thus Canadian suppliers of furniture parts and materials may well find a substantial market. Here again there is a need to conform to local requirements. Our clothing producers might look at current German styling to determine whether their quality lines can meet the need in medium and higher price ranges.

Another area as yet relatively unexplored by Canadian exporters is the do-it-yourself field. Many a German householder has found that heavy pressure on the labor market, particularly in construction, has increased costs and decreased quality of many services for which he has depended traditionally on master craftsmen. Furthermore, a change in attitude towards do-it-yourself projects is evolving and many middle class Germans now mention with pride projects they have undertaken. A few years ago they might have done without if they had been unable to find someone to do the work for them.

The development of mail order houses, department stores and supermarket shopping centres provides growing opportunities for sales of innovative and competitively priced consumer goods. Growth in this field has increased the size and number of central purchasing offices and their ability to evaluate offers from abroad. However, these organizations, although prepared to assess Canadian offers, are targets for exporters throughout the world. Accordingly, offers have to be made on their terms, i.e.: c.i.f. European port prices with short delivery and easy reordering. Offers should be in German because other suppliers generally use that language.

Despite Germany's reputation as a producer of machinery, there is a potential market for Canadian producers of specialized equipment. Admittedly, the tendency is to look first to German sources of supply but local cost increases, pressure on average firms to find labor-saving devices and broadening of the average German manufacturer's horizons have caused greater acceptance of equipment from abroad. Like most people in his field, the typical German buyer of machinery has to see the equipment to believe it. He is always concerned about adequate servicing and the availability of replacement parts.

Another aspect of the current German economic situation that should not be overlooked is technological development. Traditionally Germany has been the birthplace of new industrial, chemical and mechanical products of all types. This stemmed from comprehensive basic training of technicians combined with the persistance and desire to achieve perfection. New engineering, scientific and high technology developments are reported here almost continuously, as are more mundane products basic to day-to-day industry and daily life. Canadian firms wishing to take advantage of licensing opportunities or to work on joint ventures would be well advised to take a closer look at what is available in Germany.

Canadian firms with developments of their own but insufficient capital to make them successful should look at the possibilities here. Density of population, land costs and labor shortages are forcing many German firms to expand overseas rather than at home, and they often prefer to work with businesses already established in the foreign country.

Apart from agricultural consumer products, sales of which are made difficult by the provisions of the EEC's Common Agricultural Policy described elsewhere in this issue, and certain technical products for which Canadians find difficulty in meeting required specifications and buying practices, Germany is a relatively open market and is Europe's largest. With its population of around 60 million and a high and improving standard of living, it is one of the best single overseas markets available. The Canadian exporter who can make initial penetration, despite the language barrier, will probably find that his sales will increase consistently over the years and lead to good business in the adjacent German-speaking countries and, eventually, the entire European Economic Community.

D. D. H. WRIGHT, Assistant Commercial Secretary, The Hague

The Netherlands

An important customer for sophisticated goods

During the 1960's the Netherlands, with its partners in the European Economic Community, enjoyed a period of healthy growth in trade and industry. By 1970 the economic development had peaked, and by 1971 the Government was attempting to keep a tight rein on the economy in order to ride out a period of "stagflation."

During the past few months, there have been some signs of a gradual recovery of economic activity. The volume of new orders received has increased and industrial production has been rising at a faster pace. On the other hand, the employment situation has not shown much improvement and price and wage developments remain unsatisfactory. Exports have held up remarkably well, contributing to a substantial improvement in the balance of payments.

After a period of relatively slow growth, especially during the second half of last year, industrial production seems to have picked up in the first months of this year. On a seasonally adjusted basis, the level of output was 2 per cent higher than in the last quarter of 1971. In the manufacturing industry alone, output in March was 4.5 per cent more than a year ago, compared with an increase of one to 1.5 per cent in the preceding months. This improvement was foreshadowed by recent business inquiries which indicated a rising trend in output and a growing volume of new orders. Building industry production was stimulated by mild weather during the winter. Housebuilding is now expected to rise by 4 per cent in 1972 instead of falling by one per cent as had been predicted earlier. These developments have given rise to a more optimistic mood in regard to the level of economic activity during the rest of the year. In a recent report to the Netherlands Parliament, the Central Planning Bureau slightly revised its estimate of the growth of output, from 2.5 per cent upward to 3 per cent. Underlying this revision are an expected faster rise in exports and a smaller decrease in investments which is now put at 4 per cent against 6 per cent a few months ago.

Prices have continued to rise sharply during the last few months.

THE NETHERLANDS' MAIN BUYERS AND SUPPLIERS IN 1971

	Imports $ millions*	% of total	Exports $ millions*	% of total
Europe	**10,993**	**68.4**	**12,596**	**83.2**
EEC	**8,543**	**53.1**	**9,603**	**63.5**
France	1,268	7.9	1,562	10.3
West Germany	4,468	27.8	5,106	33.7
Italy	707	4.4	790	5.2
BLEU	2,100	13.1	2,145	14.2
EFTA	**1,811**	**11.3**	**2,223**	**14.7**
Britain	922	5.7	1,104	7.3
Norway	92	0.6	122	0.8
Sweden	348	2.2	321	2.1
Denmark	110	0.7	209	1.4
Switzerland	203	1.3	289	1.9
Austria	106	0.7	132	0.9
Portugal	30	0.2	46	0.3
Eastern Europe	**277**	**1.7**	**275**	**1.8**
Africa	**754**	**4.7**	**475**	**3.1**
America	**2,311**	**14.4**	**1,113**	**7.4**
North America	1,799	11.2	702	4.6
United States	1,589	9.9	609	4.0
Canada	211	1.3	93	0.6
Central & South America	**512**	**3.2**	**411**	**2.7**
Argentina	127	0.8	43	0.3
Brazil	139	0.9	55	0.4
Asia	**1,954**	**12.2**	**652**	**4.3**
West Asia	**1,373**	**8.5**	**236**	**1.6**
Rest of Asia	**581**	**3.6**	**416**	**2.7**
Indonesia	54	0.3	57	0.4
Japan	230	1.4	82	0.5
Australia & Oceania	**48**	**0.3**	**92**	**0.6**
Total	**16,061**		**15,153**	

Source: Netherlands Central Bureau of Statistics
*Converted from Dutch statistics at Fl. 1. — = $0.3106

In May, the cost of living index was 4 per cent more than last December which, on a year-to-year basis, amounts to a rise of about 8 per cent. Thus, the earlier estimate of a 6.5 per cent increase during the current year will no doubt be exceeded, even if the rate of increase slows down in the coming months. The estimated rise in the wage bill per employee has been revised upwards from 12 to 12.5 per cent in 1972, with a similar forecast being made for 1973. The Netherlands' blue collar labor costs are the highest in the Common Market except for Germany, and the highest of all if white collar employees are included. In view of these continuing inflationary pressures, the Government has been seeking to reach a voluntary agreement with employers and trade unions concerning wage and price increases.

Until the end of May, the number of registered unemployed continued to show a strong rise on a seasonally adjusted basis. At the same time there has been a declining trend in the number of registered job vacancies. Expectations for a better second half this year are not bright because of the tendency towards further rationalization and reorganization by a number of firms. The Government is preparing a second employment program of about $150 million to be put into effect later this year, following an earlier program of $60 million.

During the first quarter of this year, the trade balance showed a substantial improvement. During the January/March period last year there was a trade deficit of approximately $300 million; this year's deficit for the same period is about $60 million, excluding trade with Belgium and Luxembourg. The value of exports rose by about 10 per cent during this period, but the rise in the volume of exports was about 4 per cent. The improvement of the trade balance is reflected in the first quarter balance of payment figures which was nearly in equilibrium on current account against a deficit of $170 million in the same period last year.

The volume of exports for the whole of 1971 rose by 10.5 per cent over the previous year, when the rise was 11.5 per cent over 1969. Exports of natural gas which reached a value of more than $200 million in 1971, contributed more than half a point in the increase in exports, as in 1970. Exports of food and beverages increased less than in 1970 and metals, textiles, clothing and shoe industry exports showed an upswing. The volume of imports averaged 6 per cent higher in 1971, whereas the rise in 1970 was 12.5 per cent. The slowing down in the average rate of growth of imports was evident in all categories of goods except consumer goods.

Again West Germany was Holland's most important trading partner, buying 39 per cent of Dutch exports and supplying 32 per cent of its imports. Two other EEC partners, the Belgium-Luxembourg Economic Union and France, occupy the number two and three spots. Holland's largest trade partner outside the EEC is the United States, followed closely by Britain. On a per capita basis, the Dutch are among the foremost traders in the world — not surprisingly, given the history of this traditionally seafaring nation.

The 1972 forecast of the Central Planning Bureau has given an outline of possible economic developments in the years ahead. These estimates indicate a real growth rate of about 4 per cent on average for 1972-75, compared with more than 5 per cent during the period 1965-70. Nevertheless, the new estimate is already an improvement over the 3 per cent average for 1971 and 1972. Of paramount importance for the realization of these projections is a reduction in the wage spiral. The estimates imply that the rise in wages will be brought down to about 8 per cent in 1975. If it is, the rise in consumer prices may be brought down to about 5 per cent. Taking into account an improvement in productivity of about 4 per cent, wage costs per unit of product would rise by some 4 per cent annually, which is the same rate that the Central Planning Bureau expects to see in other countries.

Trade with Canada — The Netherlands continues to be an important customer for Canada's exports — after the United States, Britain, Japan and West Germany, it is Canada's fifth largest. In 1971, Canada exported goods worth more than $232 million to the Netherlands, which was a decline from the record $277 million reached in 1970. Canadian statistics, however, reflect the substantial volume of transshipment trade in grains, forest products and other bulk cargo going through Netherlands ports but destined for other European points. The official Netherlands figure for imports from Canada in 1971 for domestic consumption is $211 million, compared to $196 million in 1970.

During the first quarter of this year, Canadian exports to the Netherlands amounted to $92 million, compared with $56 million for the same period in 1971. Canadian exporters to the Netherlands are, therefore, off to a good start in 1972.

Long-term prospects for the economy of the Netherlands are extremely bright as improved exchange rates begin to bring new orders, and the expanded EEC swings into a new era of rapid economic growth. The country has a stable and competent Government. Industry is modern and competitive, and its leaders intend to keep it that way.

The Netherlands offers some promising opportunities to Canadian investors and traders. The following products are considered to have interesting export potential: electronic data processing equipment and most types of electronics components and apparatus; general industrial instrumentation equipment; environmental control equipment and instrumentation; marine cargo handling equipment; hospital, medical and laboratory equipment, and textile products.

Housing authorities, architects and builders in the Netherlands have shown some interest in the advantages of the Canadian timber frame technique as a means of overcoming the continuing shortage of modern dwellings. A small number of houses have already been built in Holland using this concept and there would appear to be opportunities for a joint venture between a Netherlands group and an experienced Canadian builder in order to build more of these houses. There are also good opportunities to sell Canadian building equipment and supplies.

Within the Netherlands farming community there is growing interest in buying Canadian-bred Holstein-Friesian cows and semen. The prospects for expanded sales are, however, hampered by stiff health requirements and the high prices prevalent in Canada at the moment.

Canadian exporters who feel they are unable to compete directly in the expanding European market could consider manufacturing in Holland, establishing a wholly-owned subsidiary, or participating in a joint venture with a local company. There are many opportunities, and officers of the Commercial Division at the Canadian Embassy in The Hague are anxious to assist.

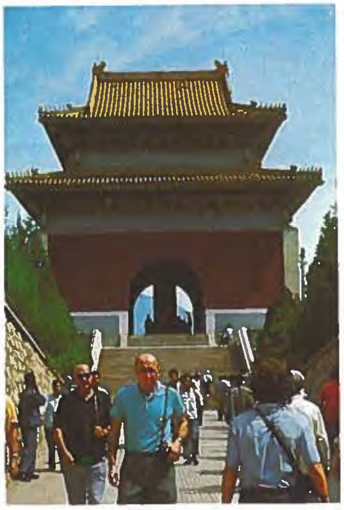
With its strategic location in the EEC, its highly skilled labor force and multilingual managerial resources, the Netherlands offers the ideal base for participation in the burgeoning fortunes of the expanding European Economic Community.

Peking Fair

The fair was officially opened by Foreign Minister Chi Peng-fei of the People's Republic of China and by the Canadian Secretary of State for External Affairs, The Honorable Mitchell Sharp.

Guests at the official opening were welcomed by the fair's general director, Leslie J. Rodger of the Department of Industry, Trade and Commerce.

The famous tombs of the Ming Emperors date back to the 14th century.



Approximately 20,000 Chinese visited the fair each day.

Orderly files of visitors converge at the impressive entrance to the Canadian Exhibition hall in Peking. Technicians, supervisory personnel and workers, they came from a wide range of industrial plants and agricultural communes. At the entrance they were given folders describing Canada and the exhibits and a floor plan and index of displays.

Peking Fair

"Getting to know you" could have been the theme song of Canada's first industrial exhibition held in the People's Republic of China from August 21 to September 2. One of the main results of this event was the acquiring of knowledge on a first hand basis of "how things are done" and what respective economic potentials exist, to the advantage of all parties concerned. Visitors to the show averaged about 23,000 a day for an estimated total of 250,000.

A return on investment — the total cost of the exhibition was approximately $3 million shared between Government and private industry — can be judged by sales concluded in Peking that totaled $25 million.

Two hundred and six exhibit booths grouping product displays of 219 companies and trade associations were set up in the main hall, two wings of the building and two outdoor areas. Industry sectors represented were aerospace; electricity and electronics; road, marine and rail transportation and equipment, including all terrain vehicles; the chemical industry; the medical and pharmaceutical fields; forestry and wood and pulp; minerals and other natural resources; mining equipment, and agriculture and farming in all its aspects, including animal breeding.

The Honorable Ralph Collins, Canadian Ambassador to the People's Republic of China, and L. J. Rodger, general director of the exhibition, welcome premier Chou En-lai.

A partial view of the main exhibit hall.

C. D. Quarterman, chief of the electronics division of the Department of Industry, Trade and Commerce, and O. A. Falworth, of Microsystems International discuss with the interpreter one of the company's exhibits.

About 550 Canadians, including company representatives and government and administrative personnel were on hand, all quartered at "Friendship House", a large hotel complex reserved for foreigners. By all accounts, the cooperation and assistance extended by the Chinese was outstanding and contributed in no small measure to the success of this event. Canada's exposition is reported to have been the largest staged by any country in the People's Republic of China.

A constant source of keen attention was the heavy equipment displayed and demonstrated in the large courtyard behind the exhibition hall.

K. C. Booth of Westinghouse talks to interpreters, explaining the chief points of his exhibit. Informality of dress was a common feature of the exhibition, where temperatures sometimes rose to 100 degrees F.

O. Dyment of Datagen of Canada Ltd., demonstrates part of the company's computer equipment.

Demonstrating the importance which the Chinese attached to this event was the visit to the site on August 29 of Premier Chou En-lai. The Premier's visit lasted two and a half hours and he saw many exhibits in detail and spoke with and questioned a number of exhibitors. Premier Chou En-lai was received at the site by Canada's Ambassador, His Excellency Ralph Collins, and L. J. Rodger of the Department of Industry, Trade and Commerce, the general director of the exposition.

About 400 technical presentations put on by private industry and IT&C personnel contributed greatly to informing Chinese audiences in detail about Canada's accomplishments and potential as a reliable supplier to the People's Republic of China. A broad audience of technicians and end users were thus able to learn about what Canada had to offer, and in subsequent meetings representatives of Canadian companies and the state trading corporations of the People's Republic of China got down to brass tacks. Many useful exchanges resulted from these meetings which benefited both those companies which did not conclude sales immediately and those that did. Undoubtably, many areas still have to be explored, and more facts about the requirements of China will have to be gathered.

For their part, the Chinese on many occasions expressed their favorable impression concerning Canada's organization of the event as well as their keen interest in everything displayed.

s gather round the Northern.
;ic stand.

iously one of the popular attractions
s this piece of machinery displayed
y Thomas Equipment Ltd. and operated
by W. McConnell.

A group of Chinese and Canadian officials meet in the Commonwealth Room of the House of Commons in Ottawa during the Chinese trade mission visit. From left to right are: Fang Ying, Commercial Counsellor in Ottawa; Chang Yu-ping, Deputy Director, China National Metals and Mineral Imports and Exports Corporation; Li Shu-te, Deputy Division Chief, Third Department, Ministry of Foreign Trade; an interpreter; Pai Hsiang-kuo, Minister of Foreign Trade; His Excellency Ambassador Yao Kuang; T. M. Burns, Assistant Deputy Minister, External Services, I. T. & C; Hon. Jean-Luc Pepin, Minister of Industry, Trade and Commerce; an interpreter; and A. J. Andrew, Director General, Asian and Pacific Affairs, External Affairs Department.

Models of RCA Limited's ground station satellite antennas draw interested looks from visitors.

Roy Carr of Electrovert Manufacturing Ltd. explains the functioning of the company's wave-soldering equipment to Premier Chou En-lai during the latter's visit to the show on August 29. Behind the interpreter at right is L. J. Rodger.

G. N. Vogel, Chief Commissioner of the Canadian Wheat Board, talks with Pai Hsiang-kuo, Minister of Foreign Trade, during the latter's visits to Canada this summer with a Chinese trade mission.

W. J. COLLETT,
Minister (Commercial), Rome

ITALY

Finished goods, high-technology areas should be Canadian targets

In 1967 Italy's gross national product growth rate hit a peak of 6.8 per cent. Since then the GNP has declined to a low of 1.4 per cent last year. Manufacturing profits continued to be squeezed in 1971 and any rapid business recovery in Italy will be conditioned by conclusion of labor contracts in the last of this year covering 4.3 million workers of a total labor force of 18.4 million. Furthermore, Italy's balance of payments has turned around from surplus to deficit, estimated at $240 million during the first four months of this year, compared with a surplus of $345 million in the same period last year. Government-directed investment, which already accounts for 46 per cent of total investment in Italy, is on the rise and fixed investment by the private sector is falling off.

Despite these factors, there is some suggestion the Italian economy is moving up again. There was an upsurge of 4.7 per cent in GNP in the last quarter of 1971. While the economy is faced with working off the high rate of liquidity which characterizes the present local money conditions, the current account has reversed from a year ago to a surplus position with strong advances in travel receipts and a rapidly-declining commodity trade deficit. Italian exports have boomed — up 17.3 per cent over last year — 'and imports have grown 8.6 per cent, largely in consumer products.

Italy's international trade, expanding approximately in pace with the world rate, predictably is becoming more concentrated in Europe and especially in the enlarged European Economic Community, to which it exports more than 50 per cent of total exports and from which originate more than 47 per cent of its imports. As shown in the accompanying table, the volume shift in Italy's trade with Europe has been dramatic since the Treaty of Rome took effect. Much of the shift has been at the expense of the United States' share of the Italian market.

Expansion of the EEC membership, particularly Britain's inclusion, is looked upon as an opportunity for Italy to play a more significant role in the Europe of the 1980's and at the same time to strengthen its own manufacturing base and reduce regional disparities. Italy's concentration on intra-European trade of finished goods is not expected to peak for some time.

Despite Italy's economic slowdown, Canadian sales last year exceeded $200 million for the first time — which ranks Italy seventh in Canadian export markets. Almost 40 per cent of these sales were in agricultural, fish and food products sectors; about 30 per cent were in metals and minerals in raw or semi-processed state, and more than 20 per cent were in forest products, leaving a balance of 10 or 12 per cent composed of manufactured and finished goods.

When one looks at trends in Italian imports and compares these with the pattern of Canadian exports to Italy some striking points emerge. There are limits on new market opportunities in raw material sectors. The slower economic growth of the 1970's will lead to fewer opportunities for expanding exports of metals, minerals and some wood products. Advances in agricultural exports to Italy may be limited by an increasingly integrated agricultural structure in Europe and will be influenced by fluctuation of world prices rather than conscientious efforts to penetrate the market. Thus, Canadian exporters may be reaching a kind of plateau in the volume of sales to Italy of non-finished goods.

These views are verified by the trend in total Italian imports over the last 10 years. From 1960 to 1971, the portion of agricultural, fish and wood products in total Italian imports fell from 25 per cent to 15 per cent of total imports during the period. On the other hand, manufactured and finished goods rose dramatically from 55 per cent to 68 per cent, confirming the theory that, in most cases, as a country becomes more industrialized its import needs become increasingly sophisticated. One quickly concludes that the most dynamic area of the Italian import market is in the field of finished manufactured goods, an area which comprises only 10 or 12 per cent of Canadian exports at this time.

How can Canadians best take advantage of this area? There are certain sectors of the Italian community which should develop rapidly during the next five or ten years. These are sectors where Canadians already are advanced — notably nuclear energy facilities; electronic components; navigation equipment; oil exploration and drilling equipment; rail, STOL and subway systems; pollution abatement equipment and services; oceanology equipment and services; tracked vehicles and airport equipment.

Canadian manufacturers should look at these and other high-technology areas not only in terms of export of goods from Canada to Italy, but also in terms of the whole complex economic relationship between the two countries. Licensing agreements, joint ventures and direct investments in manufacturing facilities are the means to deeper penetration of the Italian market by sophisticated Canadian products and they will provide opportunities for introducing new technology to Canada. This approach should be the basis for this decade of a Canadian marketing strategy in Italy. In this regard, technology gaps in Canada should be identified, with an eye on what Italy has to offer.

Where will such strategy leave our economic relations with Italy by 1980? It is reasonable to assume that exports of Canadian goods to Italy will approach perhaps $350 million while corresponding trade in our direction may approach $300 million. Major items in Canadian export trade will continue to be those bulk commodities in which we are competitive in the Italian market: barley, wheat, rapeseed, wood pulp, iron ore and non-ferrous metals. However, the picture will have become much more complex than this and it is expected that commodity trade will have become the tip of a much larger iceberg. For instance, major Canadian corporations could set up production facilities in Europe to penetrate the entire EEC market from within. Many of these firms could take advantage of extensive investment incentives offered in southern Italy by the Casa per il Mezzogiorno. By then a number of Italian firms might have set up plants in Canada which would provide significant new employment and which might be influenced by federal programs aimed at developing designated areas of Canada.

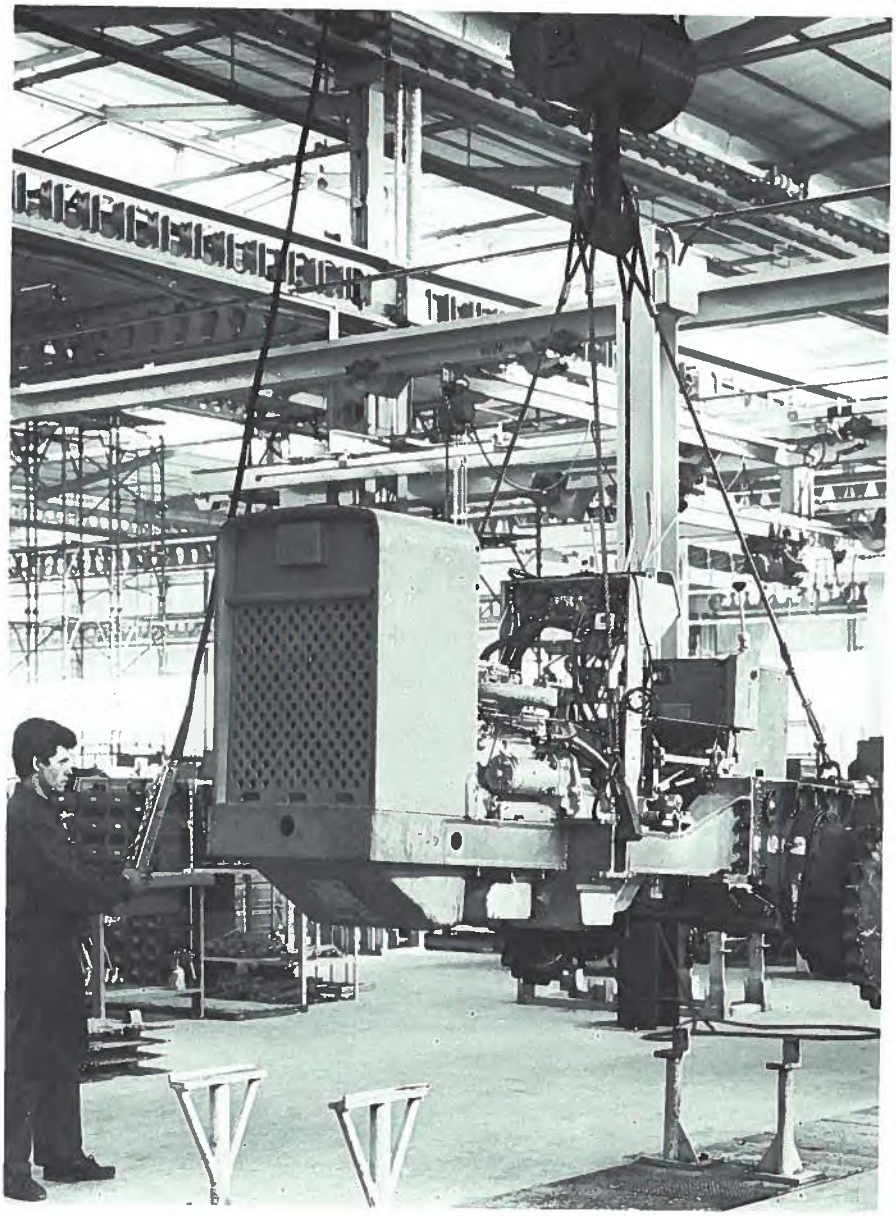
Probably there will be increased technological co-operation between Canada and Italy. Already we have seen potential benefits of the agreements between Atomic Energy of Canada Limited and Italian nuclear industry. There is reason to hope that these agreements might lead, by 1980, to Canada's participation in development of nuclear power plants in Italy. By then, we might be working with Italy to provide similar facilities in third countries. Agreements such as these, on a smaller scale, might form the basis for a series of co-operative ventures in a number of fields. Additionally, we might see greater co-operation between Canadian and Italian consultants in providing their services in Canada, Italy, and third countries.

Of our total exports to Italy, finished manufactured products could be worth as much as $50 million. This would be a significant improvement in the share of these commodities in current total trade. In any case, it is clear enough that the trade pattern will become much more complex than it is now. Canadian manufacturers will need to approach Italy more on an industry-in-depth or package basis rather than promoting single commodities and they should take full advantage of the services provided by the Department of Industry, Trade and Commerce in Ottawa and Rome.

ITALY'S IMPORT-EXPORT TRADE

	Percentage of Imports from		Percentage of Exports to	
	1960	**1971**	**1960**	**1971**
Present EEC countries	27.8	42.4	29.5	44.9
Enlarged EEC	35.2	47.2	38.2	50.3
All Europe	54.9	61.5	62.3	71.0
United States	14.1	9.0	10.6	9.9
Canada	1.4	1.5	1.1	1.0

Inside the Massey-Ferguson plant at Aprilia, south of Rome. This facility is an integral part of the MF corporate network and produces crawlers, loaders, dozers and excavators for the Italian and world markets.



BLEU

Canada's fifth largest customer in Europe

L. A. CAMPEAU,
Commercial Counsellor, Brussels

The Belgo-Luxembourg Economic Union forms a densely populated, highly industrialized and traditionally outward-looking trading unit with an economic importance far out of proportion to its area. The union is highly dependent on foreign trade and must find outlets for as much as 40 per cent of its GNP. It has few natural resources, other than coal, and therefore must import raw materials for the industries which produce its chief exports.

In other words, the only way it has to find adequate outlets for most of its industries is by importing raw materials from the cheapest source, adding as much value as possible and then exporting a high proportion of the transformed products. Frequently some goods appear among both BLEU's principal imports and exports because of this role.

BLEU has long been in the forefront of regional integration. In fact, it was 50 years ago that Belgium and Luxembourg agreed to form their economic union. Its principles are free circulation of goods, services, capital and persons among the partner countries and co-ordination of economic, financial and social policy.

The European Economic Community (EEC) has exerted a positive effect on BLEU and particularly on Belgium, where foreign firms, wishing to invest in the EEC, often establish themselves. Early in the sixties, Belgium's Government and business realized that the industrial structure was aging and needed to be modernized. To accomplish this and to encourage new industries such as chemicals and electronics, the Government set up a generous program to woo foreign capital.

Belgium's geographic position between the industrial areas of the Rhine, Northern France and Britain, and the nearness of its industrial hinterland to major ports like Antwerp, has made it attractive to foreign companies. Furthermore, the Government has traditionally made it easy for manufacturers to settle by providing sites, investment grants and other forms of encouragement.

Belgium is often used as a test market for EEC countries and is the world's foremost assembly country. All major European and U.S. car manufacturers, for example, have assembly plants there. The assembly industry was established before the Second World War and grew rapidly after it. It is expected that foreign direct investment will continue to be significant as Belgian industry rapidly diversifies. The volume of direct investment from the United States continues to exceed that from any other country.

About a decade ago, foreign banks discovered Belgium and since then Brussels is on its way to becoming a major European money centre. The number of foreign banks that operate as Belgian institutions has increased recently due to a takeover trend and the wish of some established foreign banks to put down roots in the country in which they operate.

Luxembourg is also an important centre for the banking world because of the Grand Duchy's liberal laws affecting banks. The major Luxembourg banks are affiliated with Belgian institutions largely because of Belgian residents' long-standing practice of investing their savings outside the country.

The economy — General economic activity in Belgium has slowed down from the second half of 1971 onwards. This trend is seen as a consequence of weakening domestic and foreign demand. Although still substantial in 1971, the growth of the GNP was smaller than in the previous year and Belgium is expected to register a still slower economic growth this year. The GNP growth for 1971, at constant prices, declined to about 4 per cent from 6.1 per cent in 1970. The revaluation of the Belgian franc, as part of the recent currency realignment, has increased the competitiveness of foreign goods in international markets and inside the country. A result is that private consumption is showing signs of weakening.

Industrial investments declined in 1971 and are expected to decline further this year. In the last half of 1971, unemployment, while remaining low, rose above the level for the same period in 1970. While still 11 per cent below the 1970 level during the first quarter of 1971, it was up 33 per cent by the year's end, though still representing only 1.4 per cent of wage and salary earners. Wholesale prices rose little after the introduction of the Value Added Tax (VAT) on January 1, 1971. This tax led to a running down of stocks and an acceleration of private consumption toward the end of 1970, but brought about a reserve movement at the start of 1971.

The most important sector affected by the 1971 slowdown was coal mining where production dropped 15.3 per cent. The steel industry, however, slightly increased its production despite strikes and the lessened demand for steel in the EEC and, more important, from third countries. The decline in production of non-ferrous metals has continued with foreign and domestic demand for finished metal products remaining good although new orders are falling off.

The chemical industry is maintaining its progress but the building sector, where a slowdown beginning in 1969 has been particularly noticeable in home and industrial buildings, is stagnating.

The Government has already taken steps to alleviate the existing economic difficulties by twice cutting the discount rate — by half a percentage point — to 4 per cent and by announcing a special program of extra public investment in infrastructure and housing. It is also creating a "reserve" fund to help to stimulate flagging sectors of the economy. In this way it hopes to reinforce the competitiveness of Belgian firms, maintain employment, and keep a favorable balance of payments.

Inflation has moved to the forefront of BLEU's economic problems and Belgian authorities are faced with much the same problems as their counterparts elsewhere in Europe — reducing inflationary pressures without undue sacrifice of economic growth and employment.

Foreign trade — Since the establishment of the EEC, the gradual diminution of customs tariffs within the Community resulted in sharing the free intra-Benelux trade with West Germany, France and Italy. This has led to more intensive trade with the other EEC countries whose share in the total trade of BLEU is consistently increasing. However, if settlement of the international monetary crisis brought hopes of expanding trade, BLEU's foreign trade figures, so far, remain disappointing. Demand continues to be weak and trade expansion is slow. The trade balance, which showed a comfortable surplus in 1970, deteriorated into a substantial deficit in 1971. The balance of payments in money terms remains in surplus, giving the Belgian economy its characteristic liquidity.

Western Europe is the destination for 80 per cent of BLEU's exports, with the EEC absorbing the largest portion (68.6 per cent). France and the Netherlands follow West Germany in importance as customers. However, it is the United States which provides a growing market for Belgian goods. More than a quarter of Belgian exports go to West Germany, and Belgian heavy industry, particularly non-ferrous metals production, has been specially dependent on the industrial growth of its German neighbor. Whenever Germany and the Netherlands face economic downturns, Belgium is bound to be seriously affected. The first quarter of 1972 records a revival in the demand from abroad and shows an appreciable rise in exports to Britain, France and West Germany.

BLEU imports of goods and services, which come principally from the EEC (63.2 per cent), have trebled since 1960 and more than doubled since 1964. Last year, BLEU's imports were stimulated by stockpiling, but they may be adversely affected in future if the economic slowdown of its principal partner, West Germany, should continue. In 1971, 61 per cent of total imports involved the following sectors: machinery and equipment, minerals, base metals, transportation equipment and textiles. All showed increases with the exception of base metals, which declined by about 17 per cent.

In past years, BLEU traders have concentrated on their EEC partners and have appeared to give less attention to other markets. If the trend continues, an enlarged EEC should stimulate commercial relations between BLEU and the four applicant countries: Ireland, Denmark, Norway and, principally, Britain.

Trade with Canada — It was not expected that Canadian sales to BLEU in 1971 would keep up the dramatic rise of 1970 (when a 64 per cent increase was registered) because of the situation that resulted from strike-delayed exports of Canadian base metals. Canadian sales to BLEU in 1971 showed a decline of about 6 per cent while still maintaining a substantial Canadian trade surplus. Belgian exports, on the other hand, performed slightly better and showed an increase of 14.5 per cent over 1970.

Despite a decline of Canadian exports to BLEU in 1971, there was greater penetration for a number of products. These included asbestos, fish, chemicals, non-metallic minerals, textiles, pulp and paper, zinc, electrical and electronic equipment, dairy products, and vehicles, engines and parts. One of the reasons for the lower total in 1971 was that stocks were reduced, particularly metals such as nickel, copper, aluminum and iron ore, which had been acquired in exceptional volume a year earlier.

Primary and agricultural materials still predominate among Canadian sales to BLEU, making up about 94 per cent of the total. But Canada's share of the BLEU import market is still small, about 1.5 per cent, despite BLEU ranking fifth as a Canadian customer in Western Europe, after Britain, West Germany, the Netherlands and Italy. As for Canada's exports to the world, BLEU ranks 10th after the United States, Britain, Japan, West Germany, the Netherlands, Italy, the People's Republic of China, Norway and Australia.

The 1971-75 plan — The new law on economic expansion, which confirms and strengthens the range of aids and incentives established by the Belgian authorities in recent years, was passed December 30, 1970. It is designed to serve as a primary instrument for the implementation of the 1971-75 Plan and subsequent plans. It introduces closer co-operation between Government and enterprises, gives the Government control measures, provides a variety of direct incentives to capital investment and provides the support to encourage industries to locate in depressed areas. The new law also establishes a system for contracts between the Government and industry that are designed to improve the latter's methods of administration and technology, to facilitate conversion of structural reform and to stimulate progress.

Beyond 1972, Belgium's development will depend not only on the course of world trade and conditions abroad, but also on the success of the 1971-75 plan. This plan envisages an ambitious program of public works and its success will depend on the maintenance of Belgium's relative equilibrium in industrial relations and on the avoidance of major economic setbacks nationally and internationally. The Government hopes to achieve an over-all annual GNP growth between 4.3 and 4.8 per cent (at constant prices). This slightly exceeds the norms adopted by the EEC for the same period.

CANADA'S TRADE WITH BLEU
$ million

	Exports	Imports
1967	100.8	64.6
1968	127.4	57.5
1969	116.2	60.9
1970	189.9	51.5
1971	178.6	58.9

Source: Statistics Canada

The Belgian plan takes into full account the progress made by the EEC toward greater economic integration. The industrial policy is conceived in the light of the common EEC industrial policy and recognizes that greater integration will require Belgian industry to be in a far better competitive position if it is to take full advantage of the EEC's broader market.

Although international organizations predict an upturn in the economies of industrialized countries by 1973, it is expected that BLEU's rate of economic growth will further decline, although it may, in the course of the year, start another expansionary phase if business conditions improve in other EEC countries. New confidence in international economic co-operation following the monetary agreement of December 1971, has contributed to improving the climate in Belgium, although there is still little evidence of an actual improvement in demand and industrial activity.

Corporate investment is expected to decrease further in future and a recent survey showed a 5 per cent decline in private investment was expected in 1972. This compares with a drop of 3 per cent in 1971. Industrial sectors are expected to remain active and consumer spending to have picked up during the first part of 1972. The level of unemployment, however, is expected to continue with a possible rise in the cost of living. Private consumption is expected to be stimulated by the relaxation of measures governing instalment purchases and the steep rise in wages and salaries in the public sector. The promotion of exports is to be stepped up and there is to be more flexible credit.

The planned increase in public spending by Belgium will, it is hoped, revitalize sectors of the building industry, although it is expected that 1972 will not show much improvement over 1971. Public works spending is to increase by 25 per cent. Projects include the continuation of the Brussels metro, a large dock at Zeebrugge and the objective of 60,000 housing starts a year by 1975.

Britain

Industry gears for the challenge

J. C. BRADFORD,
Commercial Secretary, London

British industry is now gearing to face the challenges and opportunities of membership in the European Economic Community (EEC). The bill to take Britain into the Community has cleared the House of Commons and has been sent to the House of Lords for approval. Final passage will mean the elimination of EEC tariffs on industrial and consumer goods, now ranging from 8 to 15 per cent, by July 1977.

Britain's entry into the EEC will give its industry access to the much larger market of the Community (260 million people) but it will also result in stiff competition on the home market from the elimination of existing tariffs on European products. However, according to a survey by the Confederation of British Industry, most British companies welcome the challenge and the opportunity to compete in the large and more sophisticated EEC economy.

Large companies will likely adapt more easily to the changes resulting from EEC membership than smaller firms. Most large companies such as Leyland, ICI and Beechams have already established a substantial foothold in Europe either through marketing organization or subsidiaries located on the Continent. Medium-sized and small companies will benefit from access to a large market and a share in faster-growing consumer demand if they are flexible enough to react quickly to changing marketing conditions that will occur after membership. This will require more decisive management, improved promotional techniques and more sophisticated communication than is now the case with most British companies involved only in the domestic market.

Most British firms already have some experience in exporting to the Continent, their fastest growing market, and are anxious to try competing on the new terms of free access. A key to success will be their willingness to provide products manufactured to European standards and backed by first-class delivery and service. British industry recognizes that success in other markets has been hampered by poor delivery, service problems and the lack of adapting and tailoring the product to the market.

British companies generally do not stress advertising and promotion sufficiently to compete in a highly sophisticated consumer market. This is partly because of conditioning to the domestic market, and partly because of the reluctance of management to budget sufficiently for advertising overheads to keep prices down. Promotional expenses on the Continent can be more costly because of language differences. But it is now recognized that a well co-ordinated program involving media promotion, trade shows and attractive packaging can result in a significant improvement in sales.

Access to the large EEC market will give British manufacturers a better opportunity to specialize than does the existing domestic market. One medium-sized company in Wales which manufacturers electronic components is convinced that EEC membership will provide opportunity for growth if the firm specializes in the right product. The company has found that German manufacturers dictate European standards for electronic components. This knowledge has led to the company developing and testing a new range of micro-circuits, variable resistors and micro-switches to standards acceptable to the EEC market. To meet these standards involved extensive certifications and approvals covering German, Swiss, and Netherland standards and also of adopting metric measurements. The British home market is also being introduced to these standards and the result for the electronics firm will be a broader product line acceptable throughout an enlarged Community.

In spite of equal entry terms, firms cannot expect to penetrate a big area such as the Community without adapting to the individual language and consumer requirements of the component markets. Each EEC member must be approached separately, particularly if consumer goods are to be promoted. Local tastes and practices do not vanish with removal of tariff barriers.

Frequent contact with Community distributors is considered essen-

Concorde 01 in flight.
This supersonic passenger aircraft is an example of Anglo-European co-operation in the aerospace industry.

tial and manufacturers should be receptive to suggestions offered by them concerning design and layout of promotional literature. One British firm manufacturing electrical heating appliances has its export department organized so that each manager spends most of his time in the export market to which he has been assigned, working with distributors in matters involving marketing plans and sales tactics. Manufacturer and distributor monitor retail promotions and work together to motivate retailers to participate in product promotion.

Since 1966, Britain's level of capital investment in domestic industry has lagged in comparison with the expansion on the Continent. To compete effectively with European industry both domestically and in the EEC, considerable new investment to modernize plant facilities will have to be obtained. The resources for new capital investment in industry should be available because London is one of the world's major financial centres. Expansion of existing facilities and installation of new machines and equipment would likely stimulate growth of the British economy. Since 1958, the GNP of the Community has risen by about 5½ per cent annually while Britain has experienced a GNP growth rate of approximately 3 per cent in real terms. This has been attributed to inflation in wages and cost of living. These basic problems will not disappear with membership in the EEC. It will be necessary to improve manufacturing efficiency, labor productivity and export promotion before the "dynamics of entry" take effect.

Opportunities for Canadians — It has been suggested that Canadian exporters could use Britain as a springboard into Europe, especially firms now selling only in Britain. Most Canadian companies exporting to both Britain and the Continent have made arrangements with importers, agents and distributors on the Continent and probably find the continental market growing faster than Britain's. Exporters may well be advised to maintain and develop any European arrangements for sales or distribution now established in both markets.

Anticipating the loss of Commonwealth preferences, some Canadian companies are setting up subsidiaries or assembly operations in Britain. One Canadian vending machine supplier is planning to assemble equipment in England. Key components will come from Canada but sheet metal and labor for final fabrication will be British. This move will reduce the duty that would have been assessed under the new Common External Tariff (CET) in comparison with importing complete machines, and will permit access to the EEC as a product of British manufacture.

As a result of the shift toward the Continent, many sectors of British industry are now involved in projects of a collaborative nature with continental industry. An advantage of this trend is the sharing of the costs of developing a project, production runs and marketing. A good example of this co-operation can be found in the aircraft industry where projects such as the Concorde and the A300B European "Airbus" are being developed. Another involves a new consortium of British, German and Scandinavian interests which has been assembled to develop, manufacture and market a Quiet Short Takeoff and Landing (QSTOL) airliner. This project is planned for the late seventies, and is expected to meet European requirements. Resources for a project of this magnitude might well be beyond the capabilities of one country, but can be adequately supplied by a multinational consortium.

In the fields of data processing and computers, a similar move towards multi-national consortia also appears to be building up. Canadian companies which have forged links with large British industrial concerns might benefit from European collaboration of this nature.

London will likely become the financial centre of an expanded EEC and the degree of sophistication now found in merchant banking, insurance and commodity exchange is expected to increase further. The level of financial activity is already attracting interests commercially involved in international finance and banking and will also serve as a drawing card for offices of large multi-national companies.

Ireland

A market that could repay closer attention

A. D. McARTHUR,
Commercial Secretary, Dublin

With an overwhelming affirmative vote in the referendum held on May 10, Ireland has decided to join the European Community. This decision will have major significance for Irish trade and for Canadian business with this country. The vote, coupled with the first deficit budget in the nation's history should provide much needed stimuli; the Irish economy has been suffering from stagnation and high rates of inflation and unemployment.

Three pressing. problems faced the Irish economy at the beginning of 1971: slow growth of output and employment; accelerating inflation; and a worrisome deficit on the current account of the balance of payments. During the year progress towards the solution of these problems was uneven. There was a modest recovery in the level of economic activity, although there was probably no increase in employment. Inflation proved more difficult to deal with as prices rose rather more on average than in 1970. However, if exceptional imports of aircraft and ships are excluded, the balance of payments situation did improve.

Economic growth last year is estimated to have been about 3 per cent compared with the 1.5 per cent recorded in 1970. The major stimulus came from strong external demand for both agricultural and industrial product (total merchandise exports rose by 15 per cent in value and by about 8 per cent in volume during 1971). Export demand was reinforced by a marked increase in the volume of investment. Real investment rose by approximately 6.0 per cent in 1971, after a small decline in 1970. This reflected primarily a recovery in the construction industry from the effects of the cement strike in 1970, and the £20 million (about $52 million) paid for ships and aircraft. Apart from these, private investment demand was weak, with imports of producers' capital goods declining in the latter half of 1971. Consumer demand was also sluggish throughout the year and is estimated to have grown by only about 2 per cent in volume.

The modest rate of growth of the gross national product (GNP) in 1971 was not sufficient to absorb the excess capacity in industry which existed at the beginning of the year or to increase significantly the level of non-agricultural employment. As a result, industrial employment over the first nine months did not change and fell somewhat in the last quarter compared with the same period in 1970. Lower tariffs on some imports, rising costs and a global depression in certain branches of the textile industry were also reflected in lower employment in certain industries.

Efforts to reduce inflation during 1971 had only limited success and Ireland continued to have very high rates of price increases. The consumer price index rose by 8.9 per cent compared with 8.2 per cent in 1970.

The current account deficit on the balance of payments in 1971 was approximately £70 million, slightly higher than in 1970. Imports were up about 11 per cent in terms of value and about 4 per cent in terms of volume. Additionally, the deficit on current account was more than offset by large capital inflows. As a result, the level of official reserves rose by £91 million to £381 million at the end of the year, equivalent to about 6 months' imports at the 1971 level.

Predictions early in 1972 that real growth of GNP would be about 4 per cent were revised after the events of Derry and the subsequent period of strain in Anglo-Irish relations. Tension, however, has eased recently and the success of the Government's campaign to secure an affirmative vote on entry into the EEC, together with a deficit expansionary budget, have improved the prospects for achieving a real growth of about 3.5 per cent this year.

The 1972/73 budget calls for increases in social welfare benefits and other payments, coupled with reductions in tax levies. The Government hopes this increased spending power will fuel growth rather than inflation and has urged restraint in price and wage increases.

The public capital program, which accounts for the gross domestic capital formation in Ireland, has been increased by approximately £35 million. These funds will go mainly into housing, educational buildings, industrial grants and credits, and the development of the electricity and telephone networks.

Apart from the above, and mainly in connection with EEC entry, the Government has also recently announced a new regional development policy and a five-year job creation plan. The regional development policy, to apply for the next 20 years, will restrict the economic development of Dublin and surrounding districts and emphasize expansion in other provincial centres. The job creation plan aims for a gross increase of 55,000 jobs in the manufacturing industries. This, however, will be reduced to a net gain of 38,000 due to anticipated and unavoidable redundancies.

The Irish economy, then, is poised for the five-year transition to full EEC entry which begins on January 1, 1973.

Transitional arrangements for the dismantling of industrial tariffs between Ireland and other EEC member states will be effected in five equal steps of 20 per cent starting April 1, 1973, and ending on July 1, 1975. Ireland's alignment with the Common External Tariff will follow a corresponding timetable except that the first alignment will be delayed until January 1, 1974, when a 40 per cent adjustment will take place.

Additionally, the Anglo-Irish Free Trade Agreement will continue to operate during the transitional period.

Following a similar transitional period starting in February 1, 1973, and ending on December 31, 1977, Irish farmers will operate under the Community's Agricultural Policy and will adopt its system of market support, import control with regard to non-member countries, grading and quality standards, and the general rules covering competition and trade in agricultural products. Ireland will have full access to the Agricultural Fund and will be entitled to reimbursements from the fund for market support operations on the domestic market and subsidies for export.

Apart from the foregoing, Ireland also received an assurance, reinforced by a special protocol, that it can apply the aids and incentives necessary to continue its programs of industrial and regional development.

The short-run effects of Ireland's entry into the EEC will probably include an increase in agricultural incomes, substantial budget savings and improvement in the balance of payments through expanded agricultural exports at higher prices. On the other hand, membership will raise domestic food prices and create difficulties for some Irish firms which may be unable to compete effectively with European producers. But the more efficient industries will benefit from access to an enlarged market. Access to this market should also enhance Ireland's attractiveness to foreign investors.

As already mentioned, the EEC's recognition of Ireland as a less developed member of the Community has been reflected in the Agreement to allow Ireland to retain its present system of export and investment incentives. Ireland can also expect to benefit from financial and technical assistance from EEC sources and to receive the special advantages that may become available under the EEC's emerging policy of assistance to the less developed regions within the Community.

In the longer run Ireland will be diversifying its predominantly agriculture-based economy. With the budget savings expected from EEC membership, forecasts have been made for increased social welfare benefits (probably based on the British system) and for increased government capital spending as well as more intensive efforts in industrial and regional development.

For Ireland's trading partners this will mean expanded agricultural exports from this country and, therefore, more intense competition in the EEC market, especially for dairy and meat products. On the other hand, the Irish market, although small in comparison with other EEC countries, is expected to expand and will be an interesting one for those firms who have the initiative to exploit it. Ireland's entry into the EEC has definite implications for Canadian exporters. As well as less favorable terms of access there will be new opportunities.

Trade with Canada — Under the present Irish tariff, imports from Canada receive preferential rates of duty equal to or more favorable than for any country except Britain. In practice most Canadian products enter Ireland duty free either under the tariff or by licence from the Minister for Industry and Commerce. These products include aluminum and other metals, grains, pulp and paper, lumber and mining machinery. But duties are assessed on consumer goods and products that are also manufactured in Ireland.

Irish entry into the EEC will impair present terms of access to this market for many products now sold here by Canadian companies. Eventually, our preferential status will be eliminated entirely. Wheat, oats, and barley will be subject to levies under the Common Agricultural Policy. However, Canadian wheat should continue to find a market here because it is needed for domestic wheats. Barley and oats will be less popular as expanded local production and the CAP levies will make them less competitive. Consumers may find it less expensive to substitute feed grains produced within the enlarged EEC. Industrial products will face the Common External Tariff, mentioned earlier in this report. It should be remembered that not only will Irish tariffs rise against our goods, but they will be progressively eliminated on imports from other members of the EEC.

On the basis of figures from the Irish Central Statistics Office, Irish-Canadian trade has been fairly stable over recent years, although Irish exports to Canada have been rising gradually to a level of $13.8 million in 1971. Canadian exports to Ireland reached $12.7 million during the same year. A breakdown of Irish imports and of Canada's exports to Ireland for the years 1968-1970 is set out in the accompanying table. These statistics indicate a relatively small but none the less interesting market in this country — one that deserves more attention from Canadian exporters.

The Commercial Division of our Embassy in Dublin is preparing market surveys on a wide variety of products which Ireland imports in quantity. These include kraft paper and paperboard, newsprint, wood pulp, potash, coal, fish meal, cranes, conveyors, hoists, power transmission equipment, and many others. If you are interested in receiving any of these surveys, write to us and we will ensure you are kept aware of possibilities here. Better yet, why not pick up a copy during a visit to Dublin. We'll also arrange for you to meet with local buyers and introduce you to prospective representatives.

Denmark

Prospects are promising

D. A. B. MARSHALL, Commercial Counsellor, Copenhagen

On a per capita basis Denmark is more dependent on trade than most other nations. On those same terms, with a population of almost five million, it has one of the highest GNP's in Europe and is, therefore, a demanding and lucrative trade area.

Denmark now is faced with the possibility of participating in an enlarged European Economic Community (EEC). Negotiations between Denmark and the EEC were concluded more than a year ago and a treaty of accession was signed in January this year. By the time this article is published the Danes will have decided formally by referendum whether to join a tariff-free market of about 260 million people or to remain outside the area of their principal customers.

Canada now has slightly more than one half of one per cent of Denmark's import market. It would appear there is little reason for pessimism about Denmark's entry into the EEC. In fact, it should be possible for Canada to increase its share of the Danish import market. A survey by the Federation of Danish Industries indicates that business is looking forward to improved marketing opportunities with entry into the EEC not involving any major changes in the present pattern of purchasing. A guide to Denmark's future trade development might be found in a brief look at the country's history and its record as a member of the European Free Trade Association (EFTA).

Denmark has never been a stranger to challenges which might have intimidated other countries. Following loss of Slesvig to Germany in the 1860's and importing cheap grain into Europe from the newly-cultivated North American plains, Denmark turned to agricultural development for its future. Possessed of almost no raw materials, the hard-working Danes transformed barren heath lands into farms. Development of widespread co-operative movements built up a vital and prosperous agriculture. With the switch in emphasis from grain to livestock and dairy produce of unsurpassed quality, farming in the 1950's brought in more than 60 per cent of Denmark's trading wealth.

The advent of the EEC and Britain's development of a guaranteed agricultural price system resulted in relative stagnation of Denmark's agricultural export earnings. It became evident Denmark had to turn to industrial development and exports to retain its standard of living. Membership in EFTA provided an opportunity and stimulus for success in the 1960's. Today, industrial products account for more than 70 per cent of Denmark's exports. Industry's share of the home market has dropped substantially but increased exports to the EFTA area have compensated.

But industrial development has meant heavy imports, with almost every item produced having import content of raw materials, semi-manufacture or component. Pressure of competition, high wages and lack of economy of scale have resulted in import costs tending to rise faster than export earnings, hence a recurring balance-of-payments deficit. According to the Danish Economic Council, Denmark's entry into the EEC would make for immediate improvement in the balance of payments. Agricultural products, most of which go to Britain and Germany, would receive considerably better prices.

The establishment of EFTA certainly stimulated Denmark's industrial exports. Similar dynamic expansion with EEC membership will depend on realization of the advantages of larger scale operations as well as specialization. Rapid and substantial increases in investment in the industrial sector will be needed and Denmark should have a strengthened demand for industrial raw materials, machinery and plant. Many manufacturers will need to replenish at least some of their equipment to meet increased competition.

The bulk of Canada's export trade with Denmark still is raw and semi-processed materials, but fully-manufactured items, especially machinery and transport equipment, continue to increase in volume. The variety of consumer goods imported by Denmark increases and entry into the EEC is expected to result in heavier consumer demand.

Prospects for selling highly-specialized equipment from Canada are good. Although Denmark exports specialized equipment, it does not meet all of its own requirements. It is worth noting that in Denmark sophistication of design and high performance are more important than price.

As far as building materials are concerned, Denmark represents one of the fastest-growing (per capita) European consumer markets for Canadian construction-grade plywood ($3.8 million in 1971). Increasing acceptance of timber construction in the Danish market creates opportunities for larger exports in this area. The establishment of an EEC duty-free quota for plywood of the type mainly exported by Canada should facilitate continued development of the Danish market.

Some organic chemical exporters will have heavy competition from Britain and West Germany and may be at a disadvantage. This also applies to producers of sheet and strip steel. Aluminum imports from Canada are being replaced by Norwegian products and access for copper shapes, bars and rods may be more difficult with the CET of eight per cent. Major competitors in this area are Sweden, West Germany and Britain. Canadian electronics manufacturers will also meet stiff competition from within the EEC.

There is a considerable market for Canadian fish and semi-processed fish products. Imports from Canada, mainly frozen salmon and herring, have grown steadily in recent years and rose by $1 million between 1970 and 1971. There will be an import duty on fish of 8 or 10 per cent but Denmark has no alternative sources of salmon or herring with the new EEC and these products are much in demand.

Danish interest in fashion has grown in the last 10 years to the point where Copenhagen is virtually the fashion centre of Northern Europe. There are opportunities to sell high-quality, well-designed outerwear (a preliminary investigation indicates greatest possibilities in suede and leather) and good design and high-quality durable fabrics should facilitate sale of children's clothing from Canada. Imports of Canadian fabrics, yarns and threads have risen in recent years. Product innovation in Canada, coupled with changing tastes in Denmark, underlie this increase.

Denmark offers a good market for Canadian exports in many areas and if, as expected, entry into the EEC strengthens its over-all economy, Copenhagen should continue to be a rewarding port of call for the Canadian exporter.

Export Opportunities

The inquiries listed below come from several sources, including various Branches of the Department in Ottawa and the Trade Commissioner Service posts abroad. Exporters should correspond directly with the companies or agencies mentioned, using the addresses given, and should send copies of the correspondence to the Trade Commissioner for follow-up. The Department of Industry, Trade and Commerce cannot assume any responsibility for trade negotiations that exporters may enter into with these firms, nor can it vouch for their commercial standing.

Chemicals

BRAZIL — Phthalic anhydride, maleic anhydride, propylene glycol, bisphenol, melamine, technical urea, para-tertiary butyl phenol, trimethylol propane and other materials used in production of synthetic resins: Mr. Sylvio Alveres de Oliveira, Chief, Purchasing Department, Resana S/A — Industrias Quimicas, Caixa Postal 81, (09700) Sao Bernardo do Campo, S.P.

Filter earth (diatomaceous earth): Mr. Armando Oswaldo Macchion, Agro Pecuaria Junco Ltda. Rua Chavantes, 465, 03027 Sao Paulo, S.P.

SWITZERLAND — Chemical and pharmaceutical products, essential oils, aromatic chemicals: Prochem AG, P.O. Box 954, 8021 Zurich.

Equipment

ARGENTINA — Representation for whole of Argentine territory for snowblowing equipment manufacturing firm. Interested in type of snowblower that can be attached to a front end loader: Manuel Salgueiro S.A., Billinghurst 2233, Buenos Aires.

Electric power meters for alternating single phase current: Tender No. 3189, Servicio Electricos del Gran Buenos Aires (SEGBA), Oficina Compras Exterior, Balcarce 184 - 8°, Buenos Aires.

BRAZIL — Shoes for following tractor makes: Caterpillar, Allis-Chalmers and Fiat. Could be supplied in bars, to be cut in size locally, or as the finished product. Also crawler tractor links: Industria Mecanica Landroni S.A., Caixa Postal 12.188, Sao Paulo, S. P. — Brazil (Mr. Alcyr Corrêa Lemos, Commercial Manager).

HONG KONG — Hand chain hoists, electric chain hoists and related materials handling equipment; welding electrodes; watthour meters; grinding wheels: Jacobson Van Den Berg (H.K.) Ltd., Realty Building, 8/F, Attn. Mr. Athony W. T. Moore, Technical Department.

JAMAICA — Printing firm seeks offers of used printing equipment. Immediate needs include a folder and gluer and a four-color press: Leonard Wheeler, United Printers Ltd., 218 Marcus Garvey Drive, Kingston 11.

SOUTH AFRICA — Firm wants sole franchise rights to manufacture in the Republic of South Africa equipment such as high-efficiency cyclones; incinerators; large and small cabinet-type cloth filters; wet scrubbers for removing acid fumes; equipment for factory ventilation, air filtration and steam removal.

SPAIN — Plant and equipment for manufacture of waterproofing materials which consist of cardboard sheets which are coated with pitch, asphalt and other materials. Impregnated sheets are used for waterproofing roofs, etc. Contact firm direct with copies to Commercial Counsellor, Dept. of ITC, Madrid (Canadian Embassy, Apartado 117, 35, Nunez de Balboa, Madrid, Spain): Ferrox, Sanchez Barcaiztegui, 37, Madrid 7, Spain.

Equipment suitable for production, canning, etc. of olive oil and vegetable oils: Sr. Eloy Damas Rico, Ingeniero Agrónomo, Union Nacional de Cooperativas Del Campo, P. Del Prado 18-20, Madrid.

Representation for manufacturers of electrical cables, especially coaxial type: Ralocar, Copernico, 94 — Barcelona 6.

SWEDEN — All types mechanical products and machinery, particularly ball valves, throttle valves and shaft couplings: AB Fr. Ramström, P.O. Box 31, S-871 01 Härnösand 1.

Foodstuffs

SINGAPORE — Grains, pulses and other agricultural products: Federal Commercial Co., P.O. Box 1018, 48 Market Street.

Furniture

HONG KONG — Kitchen furniture: B.S.C. (China) Ltd., A1001, Watson's Estate, Block A, 10/F, Watson Road.

Machinery

BRAZIL — Literature and prices for sawmill machinery: Mr. Lourenco Nunes, Comércio e Indústria Saulle Pagnocelli S.A., Rua Paulo Souza, 395, 01027 Sao Paulo, S.P.

Brochures and price lists for machinery to manufacture fittings from about ½ to 24 inches. Firm uses forged steel 40 and 80; ASTM: A234: Telima Ind. E Comérico Ltda., Rua Itapiraçaba 190, Caixa Postal 6 (Brás), Sao Paulo, S.P.

Metal scrap baling press: Mr. Affonso V. Vibanco, Director, Suvifer Industria e Comercio de Ferros Ltda., Rua Cadiriri 1201 (Alto da Mooca), (03109) Sao Paulo 13, S.P.

HONG KONG — Sawmill/woodworking machinery: Jacobson Van Den Berg (H.K.) Ltd., Realty Building, 8/F, Attn: Mr. Anthony W. T. Moore, Technical Department.

Metal working machinery, including lathes, power presses, shapers, molders, grinders and so on: Jacobson Van Den Berg (H.K.) Ltd., Realty Building, 8/F, Hong Kong, Attn. Anthony W. T. Moore, Technical Dept.

SWEDEN — All types mechanical products and machinery, particularly ball valves, throttle valves and shaft couplings: AB Fr. Ramström, P.O. Box 31, S-871 01 Härnösand.

Metals

HONG KONG — Copper wire: Mr. Anthony W. T. Moore, Technical Department, Jacobson Van Den Berg (H.K.) Ltd., Realty Building, 8/F.

Stationery

BRITISH HONDURAS — Office equipment and stationery supplies; paper for use in offices and printing establishments, including paper ready-wrapped for office use, in one-ream and half-ream packages: Mr. G. Young, G. and G. Young, P.O. Box 541, Belize City.

Toys

BRAZIL — Brochures and price lists for plastic cards and games (for adults) in general: Malibu — Artigos de Jogos Ltda., Almeda Barao de Limeira, 1137, Sao Paulo, S.P.

HONDURAS — Representation for toys and games: A. R. Pineda, President, A. R. Pineda & Cia, P.O. Box 50, San Pedro Sula.

Wood Products

BRAZIL — Canadian white birch and white spruce logs — first quality, without knots: Dr. Adelmo Cavalieri, Audi S.A. Helicópteros e Avioes, Rua Dr. Falcao, 56 — 10°-andar, 01007 Sao Paulo, S.P.

SWEDEN — Special plywood for foundry molds: Mr. Herbert Samuelsson, G & L Beijer AB, Box 325, S-201 23 Malmö 1.

How to get Business Through the World Bank

The article last month, "World Bank Credits Create $2.5 Billion Market," described how the World Bank operates and where, and what the Bank is. This, the second of a two-part series on the Bank, tells how consultants and equipment suppliers can obtain business through World Bank loans to developing countries.

J. DENIS BELISLE, Assistant Commercial Secretary, Washington

Any seriously interested consultant or equipment supplier has to be prepared to spend the time and effort necessary to familiarize himself with the Bank's operations and policies. It must be remembered that decisions to short list and retain consultants are almost always made in the borrowing countries and that decisions relating to the procurement of equipment and constructions contract are always made by the borrower.

Because of the key role played by the borrowers in the selection of consultants and procurement of equipment, it is evident that visits to borrowing countries are necessary for any firm wishing to sell services or expensive equipment.

Keeping these points in mind, let us turn to the various steps that equipment suppliers and consultants should take to enhance their chances of winning contracts on World Bank financed projects.

Equipment Suppliers — Equipment suppliers cannot register with the World Bank. Goods are almost always procured on an international competitive basis and the role of the Bank is limited to general supervision, assuring that its guidelines for procurement are respected by both borrowers and suppliers.

Equipment suppliers must therefore keep in close touch with officials of the Department of Industry, Trade and Commerce in Ottawa, with Trade Commissioners abroad and their own foreign associates when they have them, in order to obtain bidding documents as soon as they are made available. Bidding documents are prepared, distributed and evaluated by the borrowers and their consultants.

World Bank press releases contain a brief description of the equipment to be procured and are usually issued well in advance of bidding time. They should, therefore be of special interest to equipment suppliers who can obtain them by writing to Publications Department, 1818 H Street, N.W., Washington, D.C. 20433, or to the Commercial Counsellor, Canadian Embassy, 1746 Massachusetts Avenue, N.W., Washington, D.C. 20036.

Examples of what these press releases contain can be seen by referring to the "International Loans" section of this issue on page 00.

Individual suppliers can often submit bids on their own, but it may also be necessary for suppliers to put together packages of equipment to meet bid specifications.

Establishment of commercial relations with active and reliable local representatives in the developing countries is a most effective way of penetrating these markets. For many types of equipment it is also most important that the local representative be in a position to give adequate service, including supply of spare parts. Trade Commissioners abroad can be most helpful in assisting equipment suppliers to find reliable local representatives.

Suppliers wishing to bid on projects financed by the World Bank would be well advised to become familiar with a World Bank booklet called *Guidelines for Procurement Under World Bank Loans and IDA Credits.*

On all contracts subject to international competition, invitations to bid have to be transmitted to local official representatives of all Bank member countries, and of Switzerland, and advertised in at least one newspaper of general circulation in the borrower's country. For large and important contracts, advertisements are also placed in technical magazines and trade publications of wide international circulation. Prequalification is not normal practice for equipment suppliers but the Bank may allow, or require it, in some cases.

Specifications must be worded to permit and encourage international competition. To foster competition, individual contracts are large enough to attract many bidders. But, when practial, a project is often divided into specialized contracts. Turnkey contracts are not normally accepted because they are considered to reduce competition by eliminating manufacturers who are able to supply only part of the equipment needed.

Bids are opened publicly by the borrower and his consultant, evaluated on the basis of the terms and conditions set out in the specifications, and the lowest evaluated bid is determined. A contract is awarded to the lowest bidder who meets the appropriate standards of capability and financial responsibility.

Visits to borrowing countries are a must for any consultant, contractor or equipment supplier wishing to sell his services or equipment for projects financed by the World Bank Group.

When undertaking such trips, visit first the local Canadian Trade Commissioner. You should then establish contact with the planning authorities, the operating ministries or agencies in appropriate specialties, the local United Nations Development Program representative, and the regional World Bank mission, if there is one.

Should there be a local development finance company which has received World Bank funds for redistribution on the national scene, it would be advisable to contact it because these finance companies are often the best sources of information on the local economic and business climate. For a list of these companies, see page 37 of the August issue of *Canada Commerce.*

Consultants — Prior overseas experience in developing countries is normally necessary for consultants wishing to be considered for World Bank contracts. This could have been obtained either commercially or through earlier work under bilateral aid (through the Canadian International Development Agency, for instance).

Consultants with wide experience in developing countries usually concentrate their efforts in selected sectors and, more important, in specific areas of the developing world. The 'shot-gun' approach to all projects in all countries at all times is definitely not one that will help the consultant to sign up customers seeking World Bank financing — unless, of course, a firm has unlimited financial and staff resources.

When, in the Bank's opinion, consulting engineers or other experts are needed to assist those responsible for a project, the Bank often helps the borrower to prepare terms of reference. It must be remembered that the choice of consultant is always made by the borrower, although the Bank satisfies itself that the consultant chosen has suitable experience and expertise.

Exceptions occur when the Bank is acting as executing agent for the United Nations Development Program (UNDP) and the consultants then are selected by the Bank in agreement with the borrowing country. These programs represent a very small portion of the Bank's activities.

In accordance with professional practice, the Bank believes that selection should be made on the basis of qualification, not price. Moreover, if the consultant selected is owned by or associated with a contractor or manufacturer, the firm is required to limit its role on a project to providing consulting services and to disqualify itself and its associates from construction work or the supply of equipment.

In order to select consultants and approve a borrower's selection, the Bank has established an extensive information system on all consulting firms that have registered with it. These files are kept for reference purposes only and do not constitute a list of 'approved' firms for work on Bank financed projects. There are now more than 3,000 consultant firms on file with the World Bank Group. No files are maintained for equipment suppliers, because suppliers must deal with the borrowers, not with the Bank.

Consultants who are not yet registered with the Bank can do so by writing to the Consultant Services Officers, Office of the Director, Projects Department, IBRD, Room C311, 1818 H Street N.W., Washington, D.C. 20433.

UNDP projects, IBRD and IDA technical assistance programs — The Bank is responsible for the preparation of short lists of consultants for UNDP projects executed by the Bank and for technical assistance projects financed by IBRD or ODA. The selection process is as follows.

An Afghan farmer shows his delight as his new tractor, bought through a loan to Afghanistan by the World Bank for agricultural purposes, is unpacked. (IDA photo)

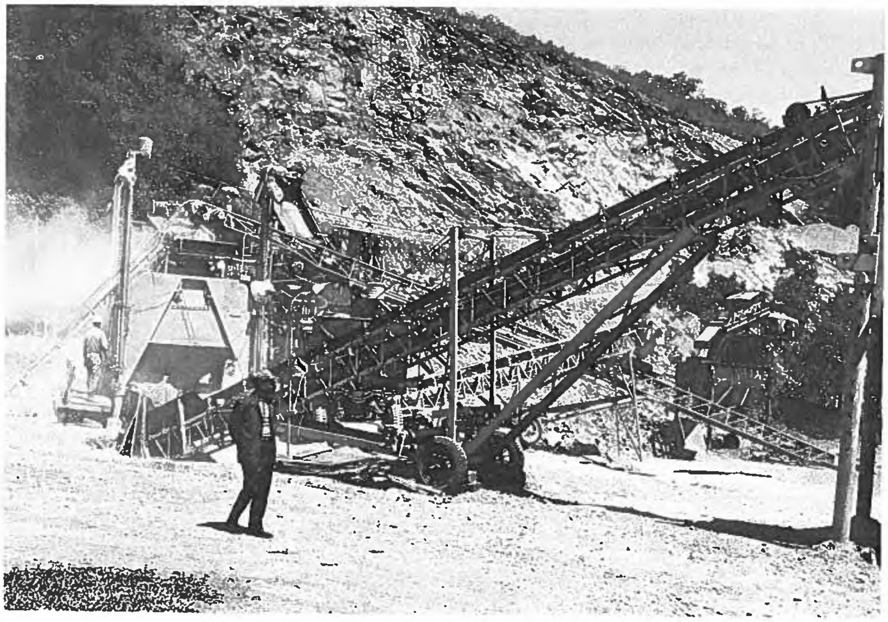
The Bank prepares an invitation to submit proposals containing, among other things, 'terms of reference' outlining the duties and responsibilities of the consultant. It then carries out a review of the consultants who have registered their interest with the Bank or with the recipient country for the project and of all the consultants who have wide experience and established reputations for skill and proficiency in the sector under consideration in a similar country or area. Considerable weight is placed on proven experience and capability gained from similar types of studies in developing countries.

The Bank then invites a limited number of consultants, usually no more than four or five to submit proposals. Financial terms are not asked for at that time. Selection is made on quality of proposals and qualifications of the firm. Proposals are evaluated on the basis of the firm's experience in the field of study, adequacy of proposed approach and of the personnel who will be assigned to the study.

The best technical proposal is selected and the firm is invited to submit a financial proposal. A contract is then negotiated between the Bank and the consultant, but if an agreement is not reached with the first firm selected, the Bank opens negotiations with the second firm.

World Bank loans and IDA credits — These represent the vast majority of the projects handled by the World Bank Group and the selection procedure is different.

The borrower may draw up a list of suitable consultants for the Bank's approval or he may continue using a particular firm acceptable to the Bank with which he has had previous experience. If a list is drawn up it is subsequently shortened by the borrower to one or a few firms with the right experience and capabilities. The borrower then indicates to the Bank the firm or firms he wishes to work with and, if they are acceptable to the Bank, the borrower can enter into negotiations with one consultant at a time on financial terms.



Sweden, the World Bank and the International Development Agency are jointly financing a highway development program in Ethiopia. A stone quarry near the Jimma-Agaro road supplies some of the material. (Word Bank photo.)

Consultants must remember that usually they are employed by borrowers' choice. Consultants who wish to participate in World Bank financed projects must themselves promote their services in the developing countries, which is where the action takes place. Consultants should, of course, register with the World Bank and pay occasional visits to the Consultant Services Officer. But their chances of obtaining World Bank business will be very small if they are not known in the developing countries.

Canadian consultants actively pursuing projects financed by the World Bank may benefit by forming consortia with other firms. Because the requirements of project preparation often call for a broad range of consulting services — engineering, economic, managerial and financial — consortia are often the logical answer. They can be formed between Canadian firms or in association with firms (if they exist) of the borrowing country. Association with third country consultants may also be worthwhile. Consortia can be formed before approaching potential borrowers or when the Canadian consultant finds out about other groups trying to sell their services for the same project. When the Bank is responsible for preparing the short list of consultants, as in the case for UNDP projects, it would be unrealistic to expect more than one Canadian firm to be short listed because the Bank endeavors to ensure that lists are geographically representative of donors. In such cases it may be a disadvantage to have too many Canadian firms competing.

The ability to work in the language of the borrowing country is a decided advantage and often a necessity.

While it is recommended that consultants register with the World Bank Group before actively scouting the developing world for World Bank financed projects, it is not a must. A firm can always register after being short listed by a borrowing country.

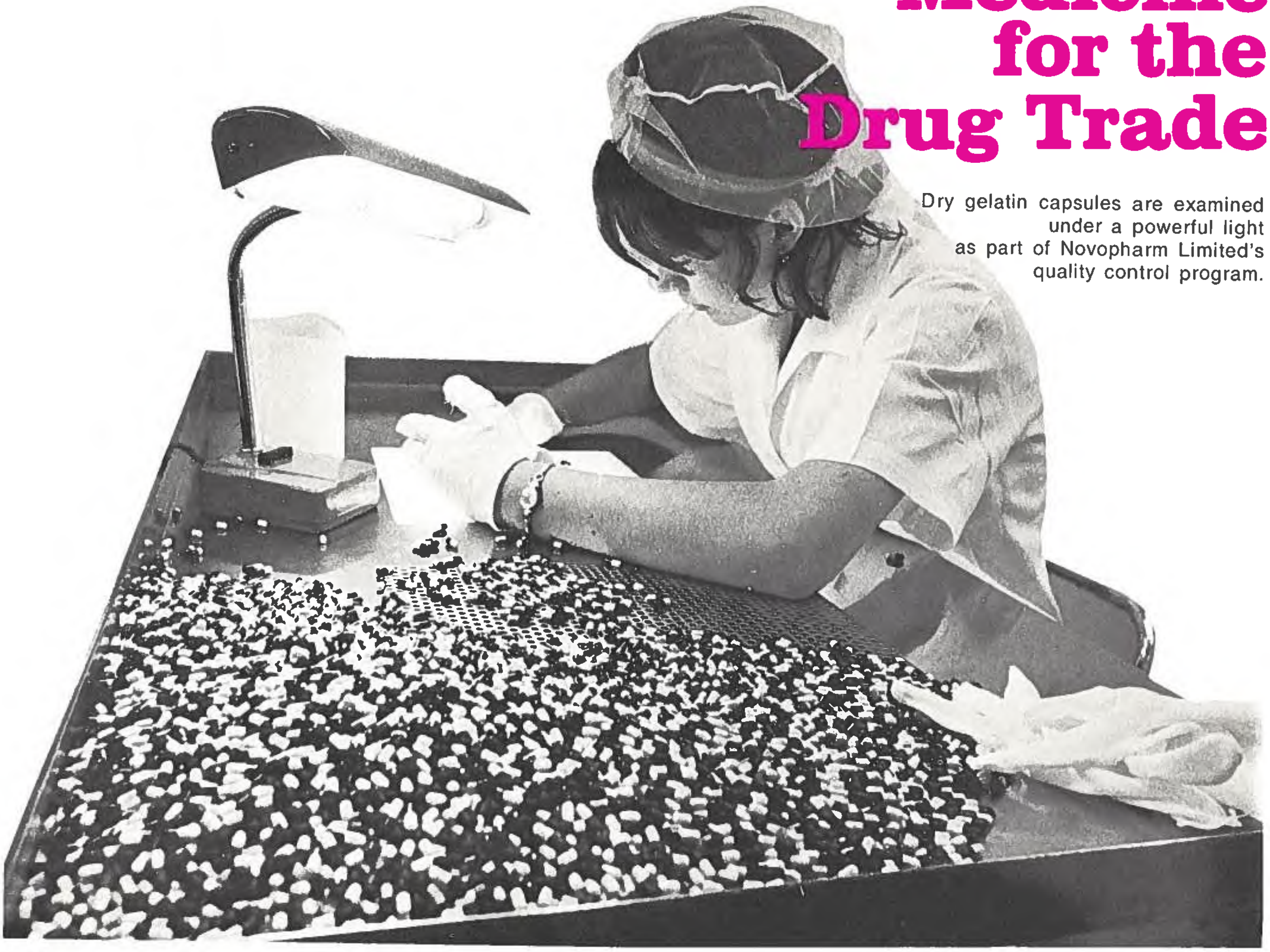
Finding out about projects at an early stage is most necessary if consultants are to participate in them. Very often, the firm that is involved in project preparation is in a preferred position to carry on with the feasibility, detailed engineering and supervision stages. The most certain method of getting early warning is speculative travel within developing countries. If this is impossible, continuous correspondence with local associates and with Canadian Trade Commissioners may turn up appropriate opportunities.

Another important approach is the monitoring of preinvestment studies planned by the United Nations Development Program (UNDP), for which the World Bank may be appointed executive agent. Some idea of the range of projects being studied by the UNDP can be learned from individual Country Programs, copies of which may be consulted at the Department of Industry, Trade and Commerce in Ottawa or at any of the department's Regional Offices across Canada.

Interested consultants should obtain World Bank press releases published each time a World Bank loan or IDA credit is approved. These include technical data which give a good idea of the kind of goods and services required for the project. Those who wish to receive press releases should write to the Publications Department of the World Bank, 1818 H Street N.W. Washington, D.C. 20433, or to the Commercial Counsellor, Canadian Embassy, 1746 Massachusetts Avenue N.W., Washington, D.C. 20036, in order to have their names and addresses added to the World Bank mailing list. Copies of the World Bank brochure *Uses of Consultants by the World Bank and its Borrowers* are available from the same address.

Equipment suppliers, contractors and consultants should not forget that representatives of the Department of Industry, Trade and Commerce in Ottawa and abroad are always ready to help in reviewing and explaining World Bank operations and policies, advising on appropriate ways of pursuing World Bank funded projects and, to the extent possible, assisting in breaking into these lucrative markets. In Ottawa, consultants should write to the Engineering Services Division and contractors and equipment suppliers to the Market Development Group and to the appropriate industry sector branches of the Department of Industry, Trade and Commerce. Broad information about the policies and operations of the World Bank and other multilateral development institutions is available from the International Financing Branch, and can be obtained by arrangement with your Industry Sector contact. Abroad, the Commercial Division of any Canadian Embassy should be contacted.

Medicine for the Drug Trade



Dry gelatin capsules are examined under a powerful light as part of Novopharm Limited's quality control program.

ROBERT McDOUGALL,
Canada Commerce

Canada reached a healthy 100 years in 1967 and fittingly that was the year the Government began an uphill fight to reduce the price of drugs for Canadians.

The first assault was made on the Patent & Trade Marks Act which till then had permitted international companies to hold patents protecting most of the popular medicines used in the country. Changes were made in the Act to permit the compulsory licensing of imports for all medicines under patent and to permit the import of trade-marked drugs of related companies without infringement of the Trade Mark.

Next the Government set out to help strengthen the ability of smaller Canadian drug manufacturers to produce ethical drugs at competitive prices and to take advantage of the changes in the Patents & Trade Marks Act. The Pharmaceutical Industry Development Assistance (PIDA) program was launched to assist these manufacturers to reorganize any of their manufacturing, marketing, distributing and research operations so that Canadian needs could be met more fully from domestic sources as well as from imports. The PIDA program makes available to eligible applicants the needed funds to carry out these plans.

To date, more than 125 compulsory licences of drug patents have been issued. The number will undoubtedly increase as additional companies acquire the extensive marketing capabilities needed to exploit the benefits to be derived from the licensing. The PIDA program has aided the downward pressure on drug prices and increased market penetration of generic drugs across the country. It has also accelerated the consolidation and growth phases of the more dynamic companies in the industry.

Originally, PIDA was to have ended last March but the program is likely to be extended for another four years. The extension is intended to aid the continued consolidation of Canadian companies towards viable manufacturing complexes. By 1976, it is expected that three or four companies, with annual sales of $5 million to $15 million in low-cost drug products, will have been created. These will form a sound base for healthy drug market competition and will also create the opportunity for a stable research and development base in Canadian-owned industry.

PIDA assistance — The PIDA program is administered by the Pharmaceutical Industry Development Advisory Committee of the Department of Industry, Trade and Commerce. The program has a fund of $2 million from which it makes loans at reasonable interest rates to Canadian-owned firms planning reorganizations which may involve merger, corporate or financial restructure or improved capabilities in manufacturing, research and development.

To qualify for a PIDA loan, a manufacturer must show that the loan is needed to carry out his plan and that sufficient capital from other sources on reasonable terms is not available. The committee must also be convinced that the plan will result in the manufacture and effective marketing of high quality, safe and effective prescription drugs at more competitive prices.

Most loans under the program have been in the neighborhood of $300,000. The period varies from 10 to 20 years. If a loan is made for expansion, development, conversion or acquisition of any buildings or real or immovable property, the term may be up to 20 years. The 10-year term is set for other purposes. The committee is empowered to fix the term for each case. Repayment in part or in whole, in advance of the due date is permissable without notice or bonus.

Novopharm Limited — The first firm to be granted a PIDA loan, and one which is still taking advance of the program, was Novopharm Limited, a Toronto-based Canadian-owned manufacturing company.

It received its first PIDA loan in 1968 and at that time employed a staff of 45 and was operating with 4,500 square feet of floor space. Today, and three PIDA loans later, Novopharm employs more than 100 people, has expanded three times to an area of 30,000 square feet, has acquired Stanley Drug Products Ltd. of Vancouver and has more than tripled its sales.

Novopharm manufactures about 120 different drugs, 15 under compulsory licensing arrangements, and sells them under its brand name but at "generic" prices. The firm's two biggest sellers are the antibiotics, ampicillin and tetracycline. Novopharm, in fact, is now the largest producer of tetracycline capsules in Canada. The drug is the most widely used broad spectrum antibiotic in hospitals and private practice.

Leslie Dan, Novopharm's president, says substantial credit must be given to the PIDA program for his firm being at the level at which it now is.

"In 1968, we were small. But now we are medium size with a rapidly expanding sales volume," said Mr. Dan, who feels confident that PIDA can help other drug firms with enterprising managements wanting to thrive and go ahead.

Mr. Dan sees the entire drug scene in Canada thoroughly changing "because of the determination of Government to make available to the public good quality pharmaceuticals at low costs.

"The question," he says, "is can small Canadian companies and the larger international drug houses operating in Canada successfully adapt themselves to these changes."

Mr. Dan forecasts that the small Canadian company with good management potential will expand. Large companies, on the other hand, will be faced with stiffer competition and will be forced to diversify, as they are already beginning to do.

Mr. Dan believes research is important if an expanding market condition is to exist in the pharmaceutical industry and that it should be carried out as a normal course of growth of any company.

"As a company grows, it must have new products. And this takes research", he said.

Canapharm Industries — Does a firm have to be a pharmaceutical manufacturer before receiving a PIDA loan? Not necessarily. If a manufacturer has, or can acquire, all needed capabilities, whether technical, financial, managerial or marketing, he may be eligible for a loan.

Such was the case with Canapharm Industries Incorporated. Aware of the need for a research-oriented Canadian pharmaceutical company, the founders of the new firm, who will provide experience and managerial expertise, carried out several surveys to verify this need.

Then they proceeded to screen upwards of 200 existing drug companies around the world with an eye to obtaining licences to develop and market new drug entities. Eventually, seven drugs and two packaging systems were selected for exploitation.

F. P. Eatch, executive vice-president, said the company acquired the assets of two existing Canadian drug firms, Paul Maney Laboratories and Gryphon Laboratories, to provide a base of operation.

Several private Canadian investment groups advanced $500,000 in equity funds and a 10-year PIDA loan of $400,000 was obtained to complete the required financing.

Mr. Eatch said his firm is very appreciative of the PIDA loan and of the assistance and advice it received from a whole spectrum of Government offices while the firm was getting off the ground. Officials, he said, viewed the propòsal with enthusiasm and many spent hours of their own time to help the company.

Jerry McElroy, chairman of Canapharm's board of directors, says the company's management group has adopted a simple marketing objective as the best means of securing long-term growth with profitability. The objective is that the company must operate, and be seen to operate, from within the medial profession. He forecasts that Canapharm will have some basic research capability within the company's first five years of operation.

How to apply — If a manufacturer is interested in obtaining PIDA assistance he should prepare an outline of the plan he has in mind and bring it, or send it, to the Department for discussion.

In certain circumstances, a study conducted by a professionally qualified consultant may be necessary in preparing some aspect of an application. In such cases, the Department may agree to share the cost of the study on a 50 per cent basis up to $2,500. This shared cost arrangement is usually agreed to if it is the Department that requires information in order to determine the acceptability of an application.

Address all inquiries concerning PIDA to: Chemicals Branch (PIDA), Department of Industry, Trade and Commerce, 112 Kent Street, Ottawa K1A 0H5, Ontario.

Foreign Exchange Rates

These nominal quotations may help exporters in checking prices, but they should consult their banks before making any firm commitments. When more than one rate is shown, the one to be used depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the Office of 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 buying rate is that at which banks purchase exchange from exporters; the selling rate is that at which banks sell exchange to importers.

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

Country and Currency	Value of foreign currency unit in Canadian dollars at September 6	Value of Canadian dollar in foreign currency units
Algeria Dinar	.2093	4.78
Arab Republic of Egypt Pound (official)	2.2626	.44
Argentina Peso (free)	.1969	5.08
Australia Dollar	1.1731	.85
Austria Schilling	.0427	23.41
Bahamas Dollar	1.0141	.99
Belgium and Luxembourg Franc	.0224	44.64
Bermuda Dollar	1.0397	.96
Bolivia Peso	.0828	12.07
Brazil Cruzeiro (official free)	.1637	6.11
Britain Pound	2.4099	.42
British Honduras Dollar	.6078	1.64
Burma Kyat	.1839	5.44
Ceylon (see Sri Lanka)		
Chile Escudo (bank rate)	.0492	20.33
(free)	.0214	46.73
China, People's Republic of Renminbi	.4188	2.39
Colombia Peso (fixed)	.0443	22.57
Costa Rica Colon	.1485	6.73
Cuba Peso	1.0041	.99
Czechoslovakia Koruna (fixed basic rate)	.1502	6.66
Denmark Krone	.1427	7.01
Dominican Republic Peso	.9838	1.02
Ecuador Sucre (official)	.0393	25.45
El Salvador Colon	.3935	2.54
Fiji Dollar	1.2265	.82
Finland Markka	.2399	4.17
France, Monaco, etc.[1] Franc	.1967	5.08
French Pacific[2] Franc	.0108	92.59
Franco-African Republics[3] Franc	.0039	256.41
Germany D Mark	.3085	3.24
Ghana New Cedi	.7673	1.30
Greece Drachma	.0327	30.58
Guatemala Quetzal	.9838	1.02
Guyana Dollar	.5136	1.95
Haiti Gourde	.1968	5.08
Honduras Lempira	.4919	2.03
Hong Kong Dollar	.1741	5.74
Hungary Forint (official)	.0869	11.51
Iceland Krona (official)	.0111	90.09
India Rupee	.1282	7.80
Indonesia[4] Rupiah	.0024	410.00
Iran Rial	.0134	74.63
Iraq Dinar	2.9906	.33
Ireland Pound	2.4099	.41

Country and Currency	Value of foreign currency unit in Canadian dollars at September 6	Value of Canadian dollar in foreign currency units	Country and Currency	Value of foreign currency unit in Canadian dollars at September 6	Value of Canadian dollar in foreign currency units
Israel			**Philippines**[6]		
Pound	.2342	4.27	Peso (free)	.1451	6.89
Italy			**Poland**		
Lira	.0017	588.24	Zloty (fixed basic rate)	.2577	3.88
Jamaica			**Portugal & Colonies**[7]		
Dollar	1.2050	.83	Escudo	.0361	27.70
Japan			**Saudi Arabia**		
Yen	.0032	312.50	Riyal	.2273	4.40
Kenya[5]			**Sierra Leone**		
Shilling	.1441	6.94	Leone	1.2371	.81
Korea, Republic of			**Singapore**		
Won	.0027	370.37	Dollar	.3358	2.98
Lebanon			**South Africa**		
Pound (free)	.3134	3.19	Rand	1.2331	.81
Libya			**Spain & Dependencies**		
Pound	2.9467	.34	Peseta	.0155	64.52
Malawi			**Sri Lanka**[8]		
Kwatcha	1.2494	.80	Rupee	.1540	6.49
Malaysia			**Sweden**		
Dollar	.3489	2.87	Krona	.2081	4.81
Mexico			**Switzerland**		
Peso	.0787	12.71	Franc	.2602	3.84
Morocco			**Syria**		
Dirham	.2111	4.74	Pound (free)	.2711	3.69
Netherlands			**Thailand**		
Florin	.2952	3.39	Baht (free)	.0473	21.14
Netherlands Antilles			**Trinidad & Tobago**[9]		
Florin	.5496	1.81	Dollar	.5021	1.99
New Zealand			**Tunisia**		
Dollar	1.1815	.85	Dinar	2.0344	.49
Nicaragua			**Turkey**		
Cordoba	.1405	7.12	Lira	.0702	14.25
Nigeria			**United States**		
Pound	2.8835	.35	Dollar	.9838	1.02
Norway			**Uruguay**		
Krone	.1501	6.66	Peso (free)	.0016	625.00
Pakistan			**Venezuela**		
Rupee	.0894	11.19	Bolivar (official free)	.2240	4.46
Panama			**Yugoslavia**		
Balboa	.9838	1.02	Dinar (official)	.0578	17.30
Paraguay			**Zaire, Republic of**[10]		
Guarani (free)	.0078	128.20	Zaire	2.054	.49
Peru			**Zambia**		
Sol (free)	.0254	39.37	Kwacha	1.4576	.69

1. Franc is also used in French Guiana, Guadeloupe and Martinique.

2. New Caledonia, New Hebrides, French Polynesia.

3. Chad, Central African Republic, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Islamic Republic of Mauretania, Niger, Senegal, Upper Volta, Cameroon, Togoland, and Malagasy. Also Reunion, Comoro Islands, St. Pierre and Miquelon.

4. Exchange rate at August 1971.

5. Rate also applies to Tanzania and Uganda.

6. Exchange rate in Philippines on floating basis with daily quotations by banks.

7. Approximately same for Portuguese territories in Africa.

8. Formerly Ceylon.

9. Also used in Barbados, Leeward and Windward Islands.

10. Formerly Congo (Kinshasa).

Wanted: Manufacturers

This information is intended to promote additional manufacturing in Canada. Further material on items listed is for prospective Canadian manufacturers only. No responsibility is assumed for claims or statements made. Address inquiries, quoting item numbers, to: Industrial and Trade Enquiries Division, Department of Industry, Trade and Commerce, Ottawa K1A OH5.

Building systems

British company offers for manufacture under licence its three systems of building construction. One system relates to single storey, steel framed, pitched roof industrial buildings. Designed to accept most types of roofing, wall cladding and insulation, fabrication can be carried out using standard structural steel equipment. A second system relates to low rise, multi-storey industrial buildings featuring a steel frame, precast concrete floors, steel deck, built up roofing, dry partitions, and a wide range of types of light and heavy wall cladding. The third system covers steel and concrete buildings to 20 storeys. This system employs precast reinforced concrete columns, steel floor and roof main beams, steel secondary beams, and concrete floor slabs. Literature available. **Item 2663**

Modular construction system

American company offers under licence the Canadian manufacturing rights to its system of modular construction. The system uses simple precast concrete components, which can be produced in any concrete plant in the vicinity of the project, and three basic components: U-shaped service core modules, beams and floor/roof members. Enclosure wall panels can be of a wide variety of materials. Company claims that no temporary construction such as scaffolding is needed at the site because the components interlock in a precise manner. System finds optimum advantage when used in constructing high rise residential and office buildings, hospitals, hotels, and other multi-storey buildings. Literature available. **Item 2664**

P.V.C. eavestroughing

German firm offers for licence the Canadian manufacturing rights to its guttering, downpipes and fittings of special frost-resistant PVC. It is claimed to be flame resistant, unaffected by knocks and blows, and maintenance-free. It is weatherproof and pigmented in attractive light grey. The pieces connect together on the spigot-and-socket principle, and need no soldering or bonding. Literature available. **Item 2665**

Hovercraft pallet, vacuum, sports vehicle

British company is offering a Canadian firm the rights to manufacture under licence its pedestrian-operated hover pallet and heavy duty hover vacuum as well as its sports hovercraft. The pallet is a transport device designed to carry loads over surfaces unsuitable for conventional carts. The all-fibreglass construction has only one moving part, the fan. Ideal for park cleaning, the heavy duty vacuum is similar to the pallet but with the addition of an intake nozzle and storage compartment. The sports hovercraft has a payload of 200 lbs., an obstacle clearance of 8 inches, and an air speed of 25 knots: Literature available. **Item 2666**

Hydraulic machines

Swedish company is offering under licence the Canadian manufacturing rights to its range of bent-axis, axial pumps and motors incorporating a unique spherical piston with an expanding, hydraulically balanced piston ring. This element permits simple construction of the machine with few moving parts and ensures high pressure and high rotation speed. These units are produced in six sizes of 5, 10, 19, 39, 78 and 150 cubic centimeters per revolution. The principal field of application is the hydraulic market with particular reference to mobile, marine and industrial equipment. Literature available. **Item 2667**

Rubber products

British firm offers to Canadian manufacturers the knowhow for formulating, mixing, molding and curing natural and synthetic rubber. Company claims it has the necessary knowhow to assist in the manufacture of practically every conceivable product which uses the engineering characteristics of modern elastomeric materials, particularly in the automotive, building construction, civil engineering and domestic appliance markets. Literature available. **Item 2668**

Color television camera

Japanese company seeks Canadian licensee to produce its new color television camera for closed circuit television applications. This camera comprises a single image pickup tube with special strip filters and a unique processing circuit for separating composite color signals obtained from the tube into respective signals of red, blue, and green. The camera is claimed to offer excellent picture quality with a horizontal resolution of about 300 lines, excellent mobility through application of a complete electronic system, super-miniature size and solid construction. Literature available. **Item 2669**

Correction lens for color picture tube

Japanese company seeks a Canadian licensee to produce its advanced correction lens for color picture tubes. The purpose of this new technique is to increase the deflection angle of a color picture tube to shorten its overall length without loss of purity caused by landing errors between phosphor dots and electron beams. The surface of the newly developed lens is divided into several hundred segments and each segment has a surface inclination to obtain the exact refraction angle required for each corresponding portion of the phosphor screen. Such a lens is claimed to greatly improve beam landing characteristics. Literature available. **Item 2670**

Electrostatic spray coatings

Japanese company seeks a Canadian licensee to produce its line of powder coatings for electrostatic spraying. These powder coatings are of four main types. One series is based mainly on polyvinyl chloride resin and has good erosion, weathering, impact and abrasion resistance qualities. Another series is based mainly on epoxy resin and features good adhesion and resistance to erosion and chemicals. A third series is based on thermosetting polyester resin and has film properties corresponding to those of conventional aminoalkyd paints. The fourth series is based on thermosetting acrylic resin and offers film properties corresponding to those of the conventional themosetting acrylic paints. These coatings are used mainly on steel and aluminum. Literature available. **Item 2671**

Method of making a cathode-ray tube

Japanese company offers a licensing arrangement to a Canadian manufacturer covering its technique for making a cathode-ray tube. To eliminate oxidization or contamination of the surface of electrodes, the electron gun mount of the cathode-ray tube is treated with an acid etching solution before fixing the heaters and cathodes to eliminate momentary flashover and cold emission between the electrodes. Literature available. **Item 2672**

Glow discharge tube for high vapor pressure metal

Japanese company offers under licence the Canadian production rights to its glow discharge tube for high vapor pressure metal. Used in atomic absorbtion analysis, the glow discharge tube consists of a hollow cathode equipped with a skeleton made of high melting point metal fibres impregnated with the high vapor pressure metal to be analyzed. Impregnated metal atoms are continuously vaporized and fed to the hollow portion of the cathode through capillary action of the skeleton. This device is utilized for analysis of trace metal contents, particularly in food chemistry, biochemistry, and medical science. Literature available. **Item 2673**

Glow discharge lamp for low melting point metal

Japanese company offers under licence the Canadian manufacturing rights to its glow discharge lamp for low melting point metal. Atomic absorption analysis has found extensive use in such fields as medical science, biochemistry, etc., as it is suitable for analyzing trace metal contents in samples. The heart of the atomic absorption analyzer is its glow discharge tube which is required to produce spectral lines of high intensities. In this tube, a hollow cathode of unique construction is used containing a lamp of the low melting point metal. Advantages claimed include an increase in analytical accuracy and ease of production. Literature available. **Item 2674**

Hollow cathode discharge tube

Japanese company offers under licence the Canadian production rights to its hollow cathode discharge tube. This new development makes it possible to perform absorption spectrophotometry for low melting point metals, thus eliminating former problems of oxidization and ignition. As an atomic absorption analyzer, it can be used to analyze all metal elements in the food, chemical, petrochemical, metallurgic, and nonmetallic industries. Literature available. **Item 2675**

High-voltage regulation system

Japanese company is seeking a licensing arrangement with a Canadian firm to produce its new high-voltage regulation system for use in completely solid-state color television receivers, video tape recorders, etc. in which high-voltage stabilization is required. The claimed advantages of this system are low-cost production, high safety and long life due to the elimination of the shunt regulator tube, and ability to decrease power consumption. Literature available. **Item 2676**

Thermosetting rubber-like resin

Japanese company offers under licence the Canadian production rights to a rubber-like polyester resin. This product is claimed to have excellent electrical, physical and chemical properties. Suggested applications include coil impregnation for refrigerator fan motors or underwater motors, castings for color TV rectification blocks and flyback transformers, and castings for underwater devices. Literature available. **Item 2677**

Latent hardening epoxy resins

Japanese company is interested in a licensing arrangement with a Canadian firm for the production of its latent hardening epoxy resins. The claimed advantages of this product are its long pot life (up to 10 times longer than conventional epoxy resin compositions), its fast hardening properties and easy preparation. These resins should be of particular interest to companies which encapsulate electronic units such as semiconductor devices or which impregnate coils and similar items. Literature available. **Item 2678**

Silicon transistor

Japanese company offers a manufacturing arrangement under licence to produce in Canada its low temperature passivated silicon transistors. These transistors are claimed to greatly improve the performance of acoustic equipment such as high fidelity stereophonic sound systems and tape recorders. Outstanding characteristics include a low noise figure and high amplification factor at low current level. Literature available. **Item 2679**

Particle size analyzer

Japanese company offers under licence the Canadian production rights to its particle size analyzer of the photo-scanning type. This device is claimed to quickly measure particle size distribution with higher accuracy than conventional particle size analyzers. The optical system is specially designed so that the thin light beams repeatedly scan a suspension cell from the bottom to the top. Being able to effectively measure the particle size distribution of raw materials, it plays an important role in determining the characteristics and quality of products such as ceramics, pharmaceuticals, cosmetics, pigments, cements, glass, etc. Literature available. **Item 2680**

Bearing for traction motors

Japanese company offers under licence the Canadian rights to its packed-type bearing for traction motors. This bearing has been developed to facilitate maintenance and to lengthen the periods between bearing lubrication. By improving the sealing method to completely eliminate the entry of dusty air, the life of this bearing is claimed to be at least double that of a conventional one. The features of this development can be applied to any conventional bearing, and are especially effective on those used at high speeds. Literature available. **Item 2681**

Vertical universal measuring bench

Luxembourg agency offers to Canadian companies a licence to produce a vertical universal measuring bench. This equipment, the motions of which are fully automatic and infinitely variable, can be used for comprehensive symmetry measurements on long cylindrical parts. Material and surface defects can be readily detected on this bench with the aid of x-radiography or ultrasonic testing. In addition, the bench enables tube wall thicknesses to be determined easily and as frequently as desired. Literature available. **Item 2682**

Heavy-duty step-by-step motors

French firm is offering the rights for manufacturing under licence in Canada its heavy-duty step-by-step motors which permit control of the entire incremental system from numerical data. Theoretically, this system has no limitations. 250w, 500w and 1 kw models are being sold commercially and another (5 kw) model soon will be, according to the company. This equipment would replace electro-hydraulic step-by-step motors in the various heavy industries and in the fields of large, numerically-controlled machine tools and armaments (aiming of cannons and rockets and steering of submarines). Literature available. **Item 2683**

Automatic chip vendor

French company is offering the rights for manufacturing its automatic chip vendor under licence in Canada. This machine uses raw potato slices and produces a portion of well-cooked, golden-brown chips in less than 60 seconds. The chips are automatically packaged in a small container behind a small, transparent, lighted door. An electric pump adds salt to suit the consumer's taste. Literature available. **Item 2684**

Security and control devices for elevators

American firm offers under licence the Canadian manufacturing rights to its security and control devices for elevators. One device, upon activation, overrides the normal controls and recalls all the elevators of a group to a desired location. On arrival at such location the elevator doors can be prevented from opening until specifically initiated by surveillance personnel. Individual elevators can then be released from control for express service to any desired floor. Applications for such a system include such emergencies as robbery or vandalism, fire, or, in a hospital, need for emergency treatment or supplies. Another device restricts the use of elevators, outside normal operating time, to authorized persons in possession of a combination. An alarm sounds in case of unauthorized entry. Literature available. **Item 2685**

Solid state tester

Canadian inventor offers under licence the Canadian manufacturing rights for his solid state transistor/diode tester and identifier. This device is designed for testing all bipolar transistors (or diodes) and indicates PNP or NPN good or bad from 50 mw to 50 w. It also incorporates a new type of oscillator circuit which can be modified to be used as a logic probe, a tone generator, or a resistor change indicator. No major tooling is required to manufacture this item. Literature available. **Item 2686**

Automotive dual-light system

American firm offers under licence the Canadian manufacturing rights to its dual-light equipment for automobiles and other vehicles. This unit, designed for simple and quick installation, provides a substitute system of headlights and taillights when a failure occurs in the regular lighting system of the vehicle. The dual-light unit monitors the operation of the lights, senses and indicates partial to total failure and turns on the substitute system. Because idle lights of the regular system are used, no additional lights need be added to the vehicle. The device is claimed to fit all domestic vehicles — 1958 to, and including, current models — and to be readily adaptable to foreign vehicles. Literature available. **Item 2687**

Shoe brush attachment for automobiles
Canadian inventor seeks licensing arrangement with a Canadian firm to produce a shoe brush attachment for automobile installation. The device quickly cleans shoes and overshoes of passengers entering the car. It has a telescopic shaft attached at one end to the external bottom of the door and at the other end to a cylinder under the car. When the door is opened circular brushes appear, ready for use; when closed the brushes return to the cylinder. The brushes can be motor driven or manually operated. Literature available. **Item 2688**

Tackle pouch
American inventor offers the Canadian manufacturing rights to his tackle carrying pouch for sport fishermen. The leather pouch contains a plastic case with compartments for holding fishing tackle and other items. The pouch can be slung over the shoulder or hung around the waist. Several pouches can be used together. This device eliminates need for a separate tackle box and has the advantage of always being close at hand. Literature available. **Item 2689**

Laundry ironer
Danish company offers under licence the Canadian manufacturing rights to its automatic laundry ironer. This domestic ironing machine weighs only 9 lbs. and is equipped with a detachable cylinder on which damp laundry is placed for drying and ironing. A maximum four-hour timer controls the ironing time. The machine's capacity is 8 lbs. of wash and normally 2 lbs. of damp laundry are dried in an hour. After the ironer is loaded and the timer set, the machine can be left unattended. Literature available. **Item 2690**

Paint roller
Dutch firm is offering under licence the Canadian rights for its mechanical paint roller. This device has a plastic reservoir with stirring mechanism, changeable feeder and paint roller. The parts can be set in motion individually and the paint supply can be regulated. The device can be used for painting floors, walls or ceilings. It can be used for applying varnish, glue, plaster, cement, etc., as well as paint. Literature available. **Item 2691**

Telecommunications technology
British government agency is offering for manufacture under licence in Canada its patented technology and technical know-how in the following fields of telecommunications: telephone, television, telegraph and digital, postal, general mechanical, general electrical or electronic, cable and cable laying, and radio. Additional information and a listing of the current Canadian patents which are offered for commercial exploitation in Canada are available. **Item 2692**

Foreign Tariffs and Trade Regulations

Peru
The foreign exchange authorities recently introduced new regulations for payment on imports of capital goods in order to slow down the outflow of foreign exchange. Under the new regulations all orders for machinery and equipment of more than $10,000 from a single supplier have to be paid for over a period of two to five years; the period over which the payments have to be spread rises in relation to the amounts involved. Payment term for orders over $1 million will be subject to negotiations with the Foreign Transaction Board for the Private Sector. Up to 20 per cent of the value of an order can be paid in cash.

South Africa
The South African Government announced, effective July 26, a considerable liberalization of its import control policy which was intensified on November 25, 1971. Embodied in the relaxation is a slight change in the application of the system.

The Free List (Paragraph 1) has been expanded to cover more than 200 items and includes, among other items, various petroleum products; hardwood railway sleepers in the rough or roughly squared; supplies for the clothing industry; sewing and knitting machines; office machines; tape recorders and amplifiers and surveying instruments.

Paragraph 2 covers items for which import licences will be granted to merchants and manufacturers to meet their full reasonable requirements. This paragraph includes raw materials, components, agricultural tractors, machinery and spares; motorcycles; consumable stores and maintenance spares; plant machinery, equipment and spares; components and sub-assemblies for passenger motor cars; aircraft; ships; professional electronic equipment and artisans' and mechanics' hand tools, including portable power tools. Items specifically mentioned in paragraphs 3 and 4 would not be included in this paragraph.

The third paragraph provides permits for items which will continue to be issued to individual importers in accordance with quotas to be determined from time to time. The seven categories covered by this paragraph are pharmaceuticals; fungicides and pesticides; textile piece goods imported by merchants; wines and spirits; paper and board imported by merchants; commercial motor vehicles and spares and imported merchandise, not elsewhere specified. Goods specifically mentioned in paragraph 4 would not be granted licence under this paragraph.

Paragraph 4 lists some 250 items that are subject to specific import permits. This wide-ranging list includes various chemicals; pharmaceuticals; plastics; clothing; rubber products; coniferous wood, in the rough or planed; boxes and shooks; printing and writing paper, excluding newsprint; synthetic fabrics; worsteds; gavanized sheet steel; pressure stoves; tools; refrigerators; air conditioners; road graders; machine tools; television apparatus; passenger cars in S.U.P. form (single unit pack); engines, chassis, etc., CKD or SKD.

Reports indicate that a further relaxation of controls may be expected later this year if South Africa's balance of payments position continues to improve.

This new announcement by the South African Government incorporates the previous information supplied in the August 1972 issue of *Canada Commerce*.

Further information may be obtained from either the Trade Commissioners in Johannesburg or Cape Town or from the Africa Division, Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa, K1A 0H5.

Jamaica

Customs Tariff (Revision) Order 1972 which came into force on May 29, 1972, increased the rates of duty on alcoholic beverages. Imports are now dutiable at the following rates in Jamaican dollars.

Item No.	Description	Unit	New Import Duty Preferential	General
	Wines, including grape must			
112.01.1	Sparkling	gal.	5.644 + 36.5%	6.9104 + 36.5%
112.01.2	Still, containing not more than 26% of proof spirit	gal.	3.1081 + 12.5%	4.1914 + 12.5%
112.01.3	Still, containing more than 26% of proof spirit	gal.	4.9188 + 12.5%	6.0021 + 12.5%
	Brandy			
112.04.1	Imported in bottle of a strength not exceeding 80% proof spirit	liq. gal.	21.5786	24.9703
112.04.2	Other	proof gal.	26.6067	30.24
	Rum			
112.04.3	Imported in bottle of a strength not exceeding 80% proof spirit	liq. gal.	15.812	18.8953
112.04.4	Other	proof gal.	19.215	22.515
	Whisky			
112.04.5	Imported in bottle of a strength not exceeding 80% proof spirit	liq. gal.	23.2953	27.0037
112.04.6	Other	proof gal.	28.7067	32.6983
	Gin			
112.04.7	Imported in bottle of a strength not exceeding 80% proof spirit	liq. gal.	21.5786	24.9703
112.04.8	Other	proof gal.	26.6067	30.24
112.04.9	Other unenumerated spirits, including liqueurs, cordials, mixtures and other preparations containing spirit	liq. gal.	23.615	27.2483

Spirits are subject to an excise duty of $6.76 per gallon at the strength of proof.

Price Control Order

The Jamaica General Merchandise Control (Miscellaneous Prices) Order, July 26, 1972, states that no article may be sold at a price in excess of the selling price immediately prior to the date of the Order. This Order covers everything sold in Jamaica except locally produced primary agricultural products.

Further information may be obtained from the Caribbean Division, Office of Area Relations.

Barbados

Anyone entering Barbados for more than two days either on business or to take up employment with a local firm is now required to obtain a work permit from the Ministry of Home Affairs, the fee for which is B$10. This requirement also applies to a foreign principal visiting his local agent.

Japan

As notified in the June issue of *Canada Commerce*, in order to stabilize domestic pork prices the Japanese Government provided duty-free entry for pork imports from April 15 to July 31.

Notification has now been received that this duty-free period has been extended until the end of October.

There is no indication of the possibility of a further extension.

Argentina

The Argentine Government recently announced a further peso devaluation by modifying the foreign exchange regulations. Under the new regulation, dollars for import and export transactions must be changed at 70 per cent on the financial market and 30 per cent on the commercial market. The previous ratio was 64 per cent and 36 per cent.

The commercial market exchange rate is fixed at 5.00 pesos to the U.S. dollar, while on the fluctuating financial market the peso was quoted at 9.95 pesos to the U.S. dollar.

International Loans

ADB's $21 Million Loan for the Second Mindanao Power Project in the Philippines

The Asian Development Bank has approved its second loan of $21 million to the National Power Corporation (NPC) of the Philippines for the Second Mindanao Power Project which is complementary to the First Mindanao Power Project loan of $23.4 million, approved by the Bank in November 1971. That loan financed a power transmission program for Mindanao and the addition of a 50 mw unit at the existing Agus VI, Maria Cristina Hydroelectric Power Station. Total cost of the latest project is estimated at $34 million, and the loan of $21 million will be used to finance foreign exchange costs.

Technical Data — Total cost of the project is $34 million. The Asian Development Bank loan of $21 million covers a period of 25 years, including 4½ years' grace, with interest at 7½ per cent per annum. Other financing will be generated internally.

The project involves construction of Agus 11 hydro station with 180 mw capacity, including an earth fill dam 31 meters high and 130 meters long; a power conduit 1,140 meters long; a spillway and three Francis-type turbines; three generators and a power house; improvements in partial regulation works at the mouth of Lake Lanao, including a diversion conduit with two radial gates and deepening of regulation works channel; communications equipment procurement, including VHF radio system and vehicles supplied with communications equipment.

Consultants will be selected in accordance with Bank guidelines. Contracts for civil works involving expenditures of $100,000 or more and contracts for procurement of materials and equipment involving foreign currency expenditures of $50,000 or more will be awarded on the basis of international competitive bidding in accordance with Bank guidelines.

Contracts for civil works and for materials and equipment involving foreign exchange currency expenditures of less than $100,000 and $50,000 respectively will be awarded on the basis of competition among a reasonable number of suppliers from the Bank's member countries. The project is scheduled to be completed in 1976.

Giving Californians a Lesson

JACQUES J. FILION, Consul and Assistant Trade Commissioner, Los Angeles

The Los Angeles School Board of Education will be spending approximately $75 million on new equipment and supplies during the 1972/73 year. The board's total budget for the year is $941.1 million.

But suppliers might be interested to know that the Los Angeles Board's budget is only one of the many school budgets under the control of the California State Department of Education. This department is not involved in the buying of equipment but is responsible for the approval of text books used in the schools of the 57 counties that come under its control. Some of these counties, because of their size, have more than one school board responsible for buying school requirements.

If you are selling text books, you should write to Ellsworth Chunn, Chief, Bureau of Text Books, California State Department of Education, 721 Capitol Mall, Sacramento, California 95814.

If you are interested in selling educational and school equipment or school supplies and other related school products, personal contacts should be established with the school boards of education in each of the 57 counties. It is not possible to list all the addresses but some are given in the accompanying box.

Let us assume that you want to deal with the Los Angeles City Schools District. The Board has what is called a "Vendor Classification List" which is computerized with approximately 500 classifications of products. In order to be placed on this list, write to Joseph F. Wiedel (see box), and enclose one set of illustrated brochures giving information on the specific product or products you are selling, plus some indication of the price range, preferably f.o.b. Los Angeles.

Once your product is on the list, you will automatically receive the bidding specifications when a call for bids is made under that specific classification. The contract is normally awarded to the lowest bid, taking into consideration other factors such as quality and after-sales service.

Generally speaking, it is desirable to have a local representative or distributor to take care of any after-sales service requirements and to keep in close touch with the purchasing agents. The Consulate will be happy to put you in touch with a local distributor. However, we are doing more than that in connection with the Canadian Educational Showplace, to be held in Toronto, October 26 to 28, 1972. The Department of Industry, Trade and Commerce has invited seven California distributors to attend the show. If you are interested in exporting your products into California, please advise us and we will make sure that they will stop at your booth for a discussion of the market potential.

List of Principal City School Districts in California

Los Angeles City Schools
Purchasing Department
1425 San Pedro Street
Los Angeles, California 90015
(213) 687-3450

Joseph Weidel
Asst. Director of Purchasing

San Francisco Board of Education
135 Van Ness Avenue
San Francisco, California
(415) 863-4680

Edwin Lohl
Director of Purchasing

Santa Ana Unified School District
1405 French Street
Santa Ana, California 92701
(714) 542-6211

Carl Hobkirk
Director of Purchasing and Stores

Long Beach Unified School District
701 Locust Avenue
Long Beach, California 90813
(213) 436-9931

Leon E. Taylor
Purchasing Director

San Diego Unified School District
4100 Normal Street
San Diego, California 92103
(714) 298-4681

Edwin Thompson
Director of Purchasing

Sacramento City Unified School District
P.O. Box 2271
Sacramento, California 95810
(916) 444-6060

Earl D. Wilson
Director of Purchasing Services

If undelivered return to:
"Canada Commerce"
Dept. Industry, Trade and Commerce
Ottawa, Canada K1A 0H5

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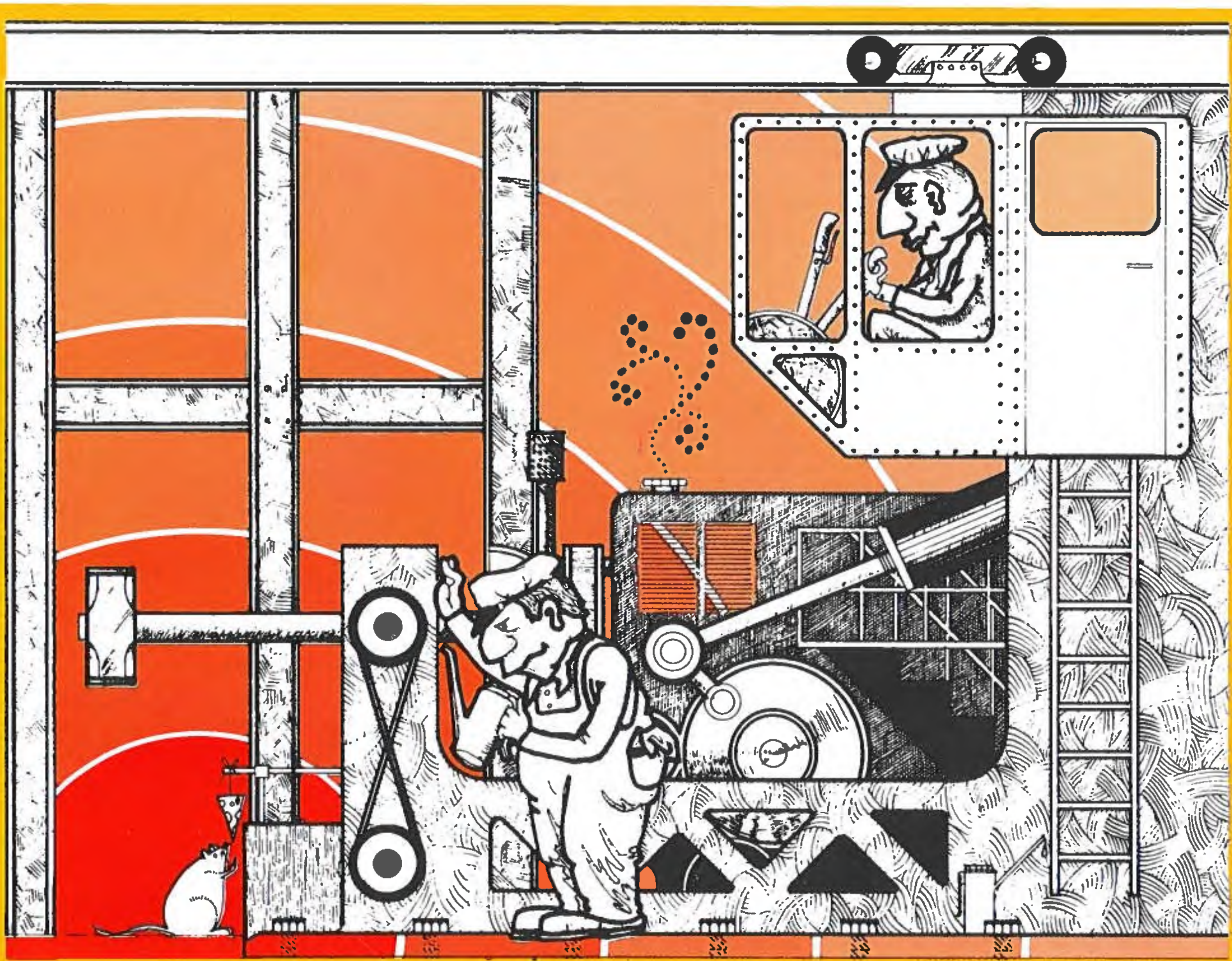

What's IDAP?

IDAP is short for Industrial Design Assistance Program. IDAP was created by the Department of Industry, Trade and Commerce to assist Canadian companies to design new and better products for more profits.

Very briefly, the IDAP program pays up to 50 per cent of the product design costs when your proposal meets the following program requirements:

- The product proposal must be innovative.
- A qualified industrial designer must be a member of the company's design team.
- Your company must prove there is a profitable market and that it has a viable marketing plan.
- Your company must have management and financial stability.
- Your company must be incorporated in Canada.

The IDAP Program Office of the Department handles all queries relating to IDAP. It can also help companies find qualified industrial designers to help you develop export and domestic markets.

For more information about IDAP just check off the squares, clip the coupon and mail to:

IDAP Program Office,
Department of Industry, Trade and Commerce,
112 Kent Street,
Ottawa, Ontario.
K1A 0H5
(Or, if you prefer, telephone 996-5832, area code 613)

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