441.2(103)

ANOTHER BANNER YEAR FORECAST FOR U.S. EXPORTS TO WEST EUROPE

First-Quarter Economic Activity Stronger Than Anticipated

By Edward F. Mullelly

U.S. exports to Western Europe continue their rapid growth. In the first five months of 1980 they registered an impressive 43.1 percent increase over the same period last year. This follows a banner year in 1979, when they grew by 36 percent to $54.3 billion. This strong performance should continue for the rest of the year, but at a slower pace, due to an expected slowdown in European economic growth.

At the June Ministerial meeting of the Organization for Economic Cooperation and Development in Paris, the ministers predicted that the combination of massive oil price increases in 1979-80 and necessary restrictive and fiscal policies will lead to an economic slowdown in the OECD area over the next 12 months.

The European Community Commission sees the economic situation for the nine-country EC in a similar light, although the picture for the full year has brightened some since its February forecast. With economic activity in the first quarter of the year much stronger than anticipated, the Commission, in a late-May report, revised its February GDP and unemployment predictions. It now expects the GDP of the Community to to rise by 1.5 percent in 1980 rather than the 1.2 percent forecast in February. A decline, however, is still anticipated in the second half of the year, with a gradual pickup in 1981. Unemployment is expected to reach 6 percent on the average for the year against the 6.4 percent forecast in February. These predictions compare to an actual GDP increase of 3.3 percent in 1979 and an unemployment rate of 5.6 percent.

EC member state GDP growth for 1980 (plus or minus in percent) is seen by the Commission as follows: Italy, +3.5; Germany, +2.5; France +2.2; Luxembourg, +1.9; Belgium, +1.4; Ireland, +0.9; Netherlands, +0.7; Denmark, —0.8 and the United Kingdom, —2.6.

The Commission notes, however, that the rise in consumer prices in recent months has been faster than expected and may on average reach 12.3 percent for 1980. The 1979 increase was 9 percent and the February forecast called for a rise of 11.3 percent. Inflation disparities among member states will still remain large, ranging from Germany's 5.5 percent to around 20 percent for Ireland, Italy and the United Kingdom.

A year-old dispute over the United Kingdom's contribution to the EC budget was resolved on June 4 when Germany became the last of the Nine to approve a compromise agreement reached by the EC foreign ministers on May 30. The United Kingdom has long maintained that its contribution to the EC budget has been excessive in relation to the size of its economy. Under the agreement, the United Kingdom's net contribution to the budget will be sharply reduced over the next three years, with total savings estimated at around $5 billion.

With the Netherlands' parliamentary approval of the EC/Greece accession treaty on May 6, all ten signatories have now completed the ratification process. Greece, therefore, will become the tenth member of the EC on Jan. 1, 1981. Ongoing negotiations with Portugal and Spain for EC membership are not expected to be completed for several more years. In February, Turkey announced its intention to apply for EC membership by the end of the year.

On March 7, the EC signed an economic and commercial agreement with the five members of the Association of Southeast Asia Nations (ASEAN: Indonesia, Malaysia, Philippines, Singapore and Thailand). This is the first agreement the EC has entered into with a regional grouping. Negotiations have recently started for a similar agreement with the Andean Group (Bolivia, Colombia, Ecuador, Peru and Venezuela). The EC also signed a new, enlarged economic and cooperation agreement with Yugoslavia on April 3, and initialed a trade agreement on industrial goods with Romania on March 18. Romania is the first Eastern European country to negotiate such an agreement with the EC.

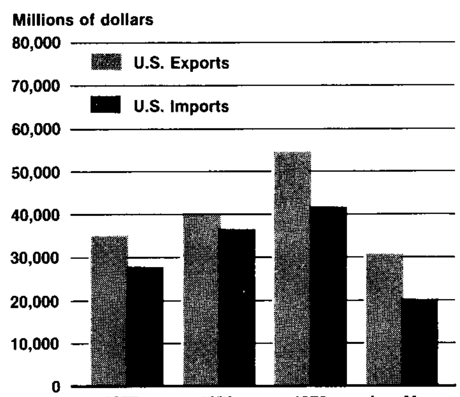
EC/Japanese high-level meetings continue to focus on the EC's growing trade deficit with Japan, an issue of serious concern to the Community. According to the EC, its trade deficit with Japan increased to more than $7 billion in 1979 from $6.3 billion in 1978, and for the first four months of 1980 grew at the alarming rate of 39 percent over the corresponding period of 1979. The EC has not, as yet, taken any action to limit imports from Japan but continues to press hard for better access to the Japanese market for EC products.

Capital formation in many European countries continues to be reinforced by substantial outlays by affiliates of U.S. companies. As reported in the March *Survey of Current Business*, capital expenditures by U.S. affiliates in Europe in 1980 are estimated at $21.5 billion, an increase of 19 percent over last year. Manufacturing affiliates plan outlays of $13.1 billion, with those of Germany and the United Kingdom accounting for $4 billion and $3.3 billion, respectively. Expenditures by petroleum affiliates operating in the North Sea area from the United Kingdom and Norway will account for $4.4 billion.

Recognizing the importance of vigorous efforts to resist protectionism, OECD countries adopted a new declaration on trade policy at the June Ministerial meeting. The declaration calls for OECD members to maintain and improve the open and multilateral trading system, to implement fully and effectively the commitments made in the Multilateral Trade Negotiations, to strengthen trade relations with the developing countries, and to avoid restrictive measures in the trade field and other current account transactions. In contrast to previous OECD trade pledges, the declaration is not limited to one year.

U.S. Trade with

Western Europe



BELGIUM

Expansive Economy Benefits American Marketing Position

By Karen Witzeman

Prospects for U.S. commercial activities and investment in Belgium for the next six months are excellent. Favorable characteristics which strengthen the marketing position of U.S. products include a GNP growth rate predicted to be higher than 2.5 percent through 1980, an industrial production level which rose by 81 percent between the years 1970 and 1979, and an inflation rate at 7.0 percent, less than those of other European countries.

At present, a restrictive budgetary policy is being pursued in order to overcome an excessive budget deficit of $8 million in 1979. Belgian economic policy in 1980 will focus on reform of the near-bankrupt social security systems, implementation of the now diluted job-sharing, work-week reductions, and a wage restraint package. Amid the present world money and Eurodollar markets, legislation to keep rates high to shore up the franc will be pursued over the coming months. High interest rates have steadied the Belgian franc, but have inhibited investments considerably. No cuts in imports should result from higher prices, however, as imports are far less elastic than prices.

The steep rise in oil prices remains as the principal inflation accelerator. Inflation, having reached a peak rate of around 13 percent at the beginning of 1975, was brought down steadily to around 4 percent in mid-1978, where it remained until late 1979 when it began climbing to its present 7.0 percent rate. Because of the openness of the economy, inflation in Belgium is very much influenced by the overall price level of imports, by the activity in the European Monetary System currently block, and by the effective exchange rate of the Belgian franc. Expectations are that inflation will stabilize during 1980 at the current rate.

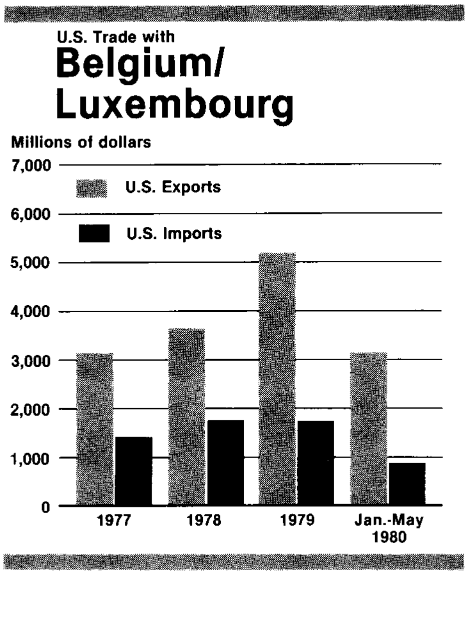
Belgian unemployment still remains high by European standards and by its own past record. By the end of 1979, the rate of unemployment was 8.8 percent, and it should stay between 7.0 and 8.0 percent until the end of 1980. Accompanying a growth in unemployment, there has been a surge in labor productivity that is the highest in all industrialized countries except Japan. Steel production increased by 17.8 percent in the beginning of 1980, due to the revival of the steel demand from OPEC and favorable corporate investments in the EC. Activity in the textile and metalworking industries has improved, along with the assembly of motor vehicles.

Both industrial and private investment were buoyant during the second half of 1979. Industrial investment grew by 14.6 percent in the third quarter of 1979, compared to the same period of the previous year. Strong growth in private investment was shown in the metal fabrication and chemical sectors. Conditions for a favorable business outlook are shown by improved business profitability during 1979, heightened average capacity utilization and continued high costs of labor, providing incentive for investment in labor-saving equipment.

The United States continues to run a surplus in its bilateral trade with the Belgium/Luxembourg Economic Union. During 1979, U.S. exports to Belgium (valued in Belgian francs) grew by over 25 percent compared with a less than 4 percent increase in U.S. imports from Belgium. Belgium's current trade deficit with the world is $3.5 billion.

Particularly good opportunities exist for U.S. exports of high technology goods which can help combat soaring labor costs in Belgium's industrial sectors. Such equipment also can greatly assist Belgium's program of modernizing and rationalizing its industrial production facilities. Sales potential is especially promising for U.S. exporters of consumer goods, electric components, computers, mini and microcomputers, health care equipment, automotive equipment, recreational vehicles, and filtration and purification equipment.

The U.S. Department of Commerce is sponsoring catalog exhibitions in the following international trade shows: "HORESCA" (hotel and restaurant equipment), November 1980; "EUIPORAMA" (business equipment), March 1981; and COMPEC Europe '81 (computers), May 1981. Commerce Department is also sponsoring a computer software trade mission in November 1980, as well as an exhibition at "Radiology EXPO" (radiology equipment) in June 1981.



FRANCE

High Technology Products Have Wide Market Appeal

By William Crawford

Who would have predicted at the start of 1980 that U.S. exports to France would increase 49 percent in the first four months over the same period in 1979? This noteworthy performance comes after two years of strong growth, 19 percent in 1978 and 34 percent in 1979. As a result of a predicted slowdown in the French economy in the second quarter, there will probably be a lower growth rate for U.S. exports to France in the latter part of the year, but the result should be a $7.4 billion level for the year, up substantially from $5.6 billion in 1979.

There have been two major factors affecting the growth of U.S. exports to France. The first is the 16 percent depreciation of the dollar in relation to the French franc between 1977 and 1979, which has increased the price competitiveness of American products and services. The second is the increased awareness of U.S. firms that French business persons and consumers are willing and able to purchase American goods. Recent trade statistics have dismantled the old notion that the French would not purchase "Made in U.S.A." products. Large increases in 1979 were in the areas of avionics and aviation equipment (80 percent), machinery (29 percent), papermaking equipment (27 percent), electrical and electronic equipment (20 percent), fertilizers (49 percent), and instrumentation equipment (19 percent).

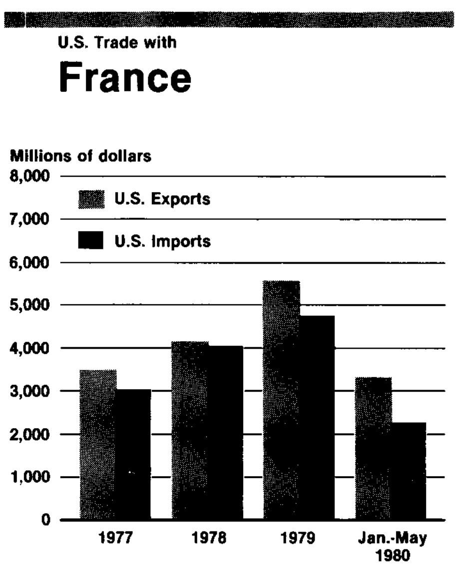
With more and more export-oriented

firms giving France the serious attention that a market of 53 million deserves, there is still room for future growth.

The moderate GDP growth of 3.2 percent in 1979 has continued in early 1980, but a slowdown seems likely in the second quarter. Unemployment rose to 6.4 percent in April with 1.4 million out of jobs. The inflation rate increased to 16.8 percent for the first quarter of 1980, partially as a result of the OPEC oil price hikes. A slowdown in the inflation rate is expected, but prices should increase 13 percent in 1980 compared to 11.8 percent in 1979. As a result of the drastic impact of oil imports, the French balance-of-trade deficit in 1980 is expected to reach $5.5 billion, while the balance-of-payments deficit will be over $2 billion.

Increased real consumer consumption of 3.1 percent in 1979 helped to fuel the French economy, with the French consumer not hesitating to draw down on his savings (a 64 percent drop in deposits in the first quarter of 1980 compared to 1979). March's figures indicate a drop in volume from February, and with the slowdown in industrial production in the first quarter, a downturn in the French economy was expected in the second quarter.

In spite of the uncertainty in the French economy in 1980, future years should bring strong growth and make France a good market for U.S. products and services. High technology products aimed toward France's export-oriented industries such as automobiles and aviation will continue to do well, as will products for other industries such as computers, electronic components, consumer products, and instrumentation.



The U.S. Department of Commerce, through its Export Development Office, will sponsor exhibits at international fairs in the next 12 months in the following areas: sporting and leisure goods, electronic components, and aviation equipment. A computer software trade mission is also being planned for November.

GERMANY

Trade Deficit Decreases With Rise in U.S. Exports

By Velizar Stanoyevitch

U.S. exports to Germany were gaining momentum even before the close of 1979, when the bilateral trade deficit was reduced to $2.5 billion from the $3 billion rung up in 1978. The momentum continues and a further substantial reduction in the U.S. trade deficit with Germany this year appears assured.

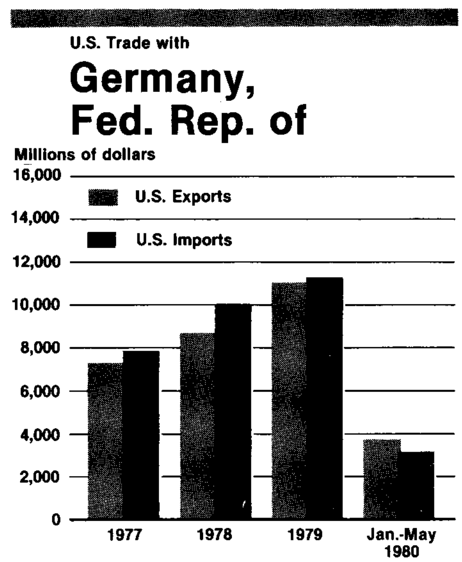
Through April 1980, U.S. exports to Germany were 51 percent higher than in the comparable 1979 period, while imports from Germany rose by less than 25 percent. Of comparable importance, of a total of some $5 billion in German private foreign direct investments in 1979, more than $2 billion was placed in the United States. (U.S. private direct investments in Germany excluding reinvested earnings came to only $118 million.) Also, receipts from German tourists and business visitors to the United States last year totaled $440 million, compared with $283 million spent in Germany by U.S. tourists.

Germany's imports this year are expected to rise in volume by 5 percent. With the continuing escalation in price of crude oil and other industrial raw materials, the rate of import growth in current prices will continue to expand much more rapidly than exports. Germany is one of the OECD countries expected to show real growth this year, although the forecasts are becoming increasingly less sanguine, with the consensus now in the 2-2.5 percent range.

A spurt in capital spending and exports by German industry during the first quarter of this year would seem to ensure growth in this range even if, as anticipated, recessionary tendencies should become more pronounced in the second half of the year. Through the first quarter, German exports recorded their most impressive gains with the EC member countries and the OPEC group of countries; trade with Eastern Europe, except for China, now seems to lack the dynamism of the early 1970s and exchanges have been more evenly balanced.

The German Government's adherence to the policy of maintaining a stable mark as the best guarantee of stable prices and near-full employment conditions was demonstrated most recently on May 2, when the Central Bank raised the discount rate to 7.5 percent, a level reached only once before, briefly in 1970. On a year-to-year basis, the increase in the inflation rate as measured by the consumer price index was 5.8 percent in March, with some indication of slowing to an increase of perhaps not more than 5 percent for all of 1980. By mid-May, the number of unemployed fell to some 750,000, or 3.4 percent of the labor force—one of the lowest unemployment rates since the 1974/75 recession.

The United States was the third ranking supplier of agricultural products to Germany last year, increasing sales by 8 percent over the 1978 levels, to $2.3 billion or almost 10 percent of all German agricultural imports. Sales of U.S. finished manufactures rose 29 percent to nearly $2 billion. In the lead again were office machines, electric equipment and even automobiles. The U.S. percentage share of the German import market for the latter rose from 3 to 4 percent. Exports of industrial raw materials were led by plastics and plastic products, followed by photoechemicals, pharmaceuticals and dyes. Sales of aircraft were



down, but will rise with the deliveries of 36 Boeing 737s ordered by the German National Airline. Finally, sales of a number of U.S. consumer goods categories continued to grow, especially textiles and apparel.

Commerce Department trade promotion activities in Germany are again focusing on the organization of American group exhibits at a select number of German industrial trade fairs, featuring computers, textiles and apparel, hospital equipment, automobile parts and accessories.

ITALY

Economy Still Expanding; How Long Can It Continue?

By Noel Negretti

The Italian economy is continuing to follow the upbeat tempo which helped it close 1979 with a 5 percent GDP growth rate—one of the best performances of the year for the EC countries. To date, a surprisingly stable lira, lively consumer spending, and a continued rapid expansion of investment by small and medium-sized industries have contributed to a very dynamic first-quarter economic performance.

For 1979, U.S. exports to Italy were up nearly 30 percent, reaching 4.3 billion, and for the first five months of 1980 they did even better, up 39 percent over the same five-month period in 1979. Demand for U.S. products, services and equipment in 1980 is being fueled by the same forces—consumer demand and plant investments—as the overall Italian economic machine.

The question now being asked with increasing frequency is how long can this economic expansion continue? The response is generally pessimistic, with most observers foreseeing a definite slowdown following the summer months. A rising inflation rate now approaching 20 percent, a very worrisome trade deficit ($4.3 billion through April 1980) due to high oil imports, and a definite slackening of Italian exports, are the prime factors pointing to a post-summer slowdown. The realities of the situation are causing the Italian Government to tighten credit, which will have some effect on cutting down investment and production and may thereby slow the economy.

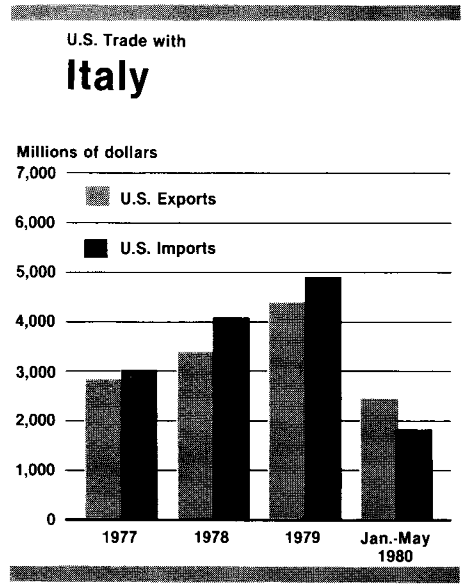
U.S. exports to Italy will, of course, be affected by the expected Italian change of pace; however, the momentum gained in the early months of this year will carry exports substantially above last year's figure. The value of U.S. exports to Italy is expected to be 15 to 20 percent above last year's total, reaching a level of some $5.2 billion. The U.S.-Italian trade balance, based on Italy's sluggish exports worldwide, will more than likely result in a favorable U.S. balance.

Italy's small and medium-sized companies are the economy's true propellants. Particularly striking is the current high rate of investment in energy and labor-saving equipment. If such investment continues despite the government's credit restraints, U.S. firms should find excellent export potential for alternative energy supplies and energy-saving equipment, supplies and services, as well as for labor-saving industrial process and computer equipment. Related closely to the general concern over the increasingly high costs of energy is Italy's growing interest in coal as a substitute for petroleum. Coal is being looked at very seriously by the Government of Italy as a prime fuel for the production of electric energy, with a recent study proposing a doubling of its use. Excellent sales potential should exist for all forms of coal equipment, including loading, unloading, storing and environmental control, energy conversion kits, and coal itself.

U.S. high technology equipment is always in demand and will continue to find an excellent market in Italy. For 1980 the best sales prospects in Italy include energy systems and energy conservation equipment, computers and peripherals, process control instruments and equipment, avionics/airport equipment, electronic components, electronic production and test equipment, pollution control equipment, and industrial/commercial security equipment and graphic arts machinery and equipment.

The Commerce Department has an Export Development Office (EDO) in Milan through which U.S. companies can promote their products in the Italian market. For the 1980-81 season the EDO will sponsor exhibitions for the promotion of: American footwear, office equipment, computers and peripherals, energy equipment, electronic components, handicraft equipment, and household textiles.

For more information, contact Noel Negretti at 202-377-3462.



NETHERLANDS

Spectacular Gains Recorded By U.S. Exports In Early 1980

By Robert McLaughlin

As predicted, U.S. exports to the Netherlands increased by 20 percent in 1979. Sales of American goods topped the $6.9 billion mark last year, up from $5.68 billion recorded in 1978. This strong performance pales, however, in comparison to the spectacular gains registered in the first four months of 1980, as our exports grew by 50 percent, totaling more than $3 billion. By the end of the year, U.S. exports should show a gain of 25 percent over the 1979 level.

This optimistic outlook contrasts vividly with prospects for the Dutch economy this year. Performance in 1980 is expected to be a mere shadow of what was a lackluster year in 1979. Last year, real GNP rose by only 2 percent, largely because of a 9 percent increase in exports of both natural gas and finished goods, while domestic consumption and investment faded. Inflation was low by international standards at 4.5 percent. Unemployment, although combatted by government programs to create jobs on a geographic and industry basis, remained at 210,000, about 5 percent of the work force.

Oil price increases and constricted world trade growth, coupled with declining investment of minus 2.5 percent and sluggish domestic consumption, will yield under 1 percent real GNP growth in 1980. Inflation, already on the rise, should average about 6 percent, and an additional 10,000-20,000 workers are expected to be unemployed by year-end.

Faced with these prospects, the Government of the Netherlands has proposed sharp curtailments in government expenditures and has called for broad-based economic restraints. Three billion guilders, about $1.5 billion over the 500 million guilders still outstanding for 1979, are to be cut from the 1980 plan for public spending. This tightening of fiscal policy is accompanied by the extension of a two-month wage freeze through the end of this year.

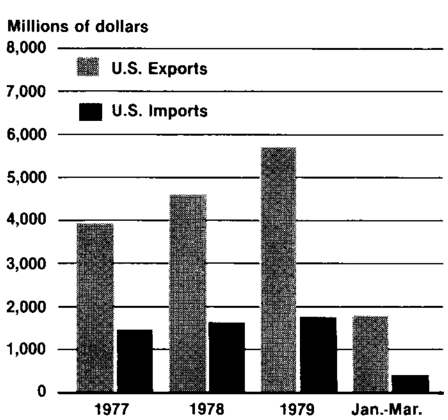
Nonetheless, a serious financial picture confronts the Netherlands Government. The public sector deficit is forecast to rise from an earlier projected 5.6 percent of net national income to nearly 7 percent in 1980. Higher interest rates and negative effects on investment are likely to follow as a result.

The Dutch suffered a sharp increase in the balance-of-payments current accounts deficit last year of 4.7 billion guilders (on a cash basis), up from 2.3 billion guilders in 1978. Projections for 1980 indicate some improvements and a deficit of only 1 billion guilders.

The Netherlands Central Bank intends to continue the tight monetary policies now in place in order to accomplish its long-term goals. According to the Bank, a depreciating currency would be counter-productive, given the current state of the Dutch economy. In early May, the Central Bank raised its discount rate to 10 percent, from 9.5 percent. It is hoped that these record levels maintain balanced relationships on the money and foreign exchange markets.

U.S. Trade with

Netherlands



Currently, however, strong demand continues to characterize many specific Dutch markets. So far in 1980, U.S. exports to the Netherlands of a number of product categories have surpassed the average gain of 22 percent for 1979. These include: temperature processing industrial and laboratory equipment; ADP machines; machine tools; hand tools; medical equipment and instruments; measuring and controlling instruments; marine engines; telecommunications equipment; and wearing apparel.

Ranking as the sixth largest export market for the United States, the Netherlands offers significant opportunities for American products, based upon their quality, practicality, labor-saving features, and price competitiveness. Among those product sectors expected to register highest incremental sales are consumer goods, computers and business equipment, automotive equipment and parts, health care equipment and supplies, instrumentation, materials handling equipment, electronic components, food processing and packaging equipment, electronics industry production and test equipment, and graphic arts equipment.

SPAIN

Trade Prospects Excellent Despite Sluggish Economy

By Ken Nichols

U.S.-Spanish trade should reach record levels again this year despite a still sluggish Spanish economy. Spanish GDP is expected to grow by only 1-2 percent this year.

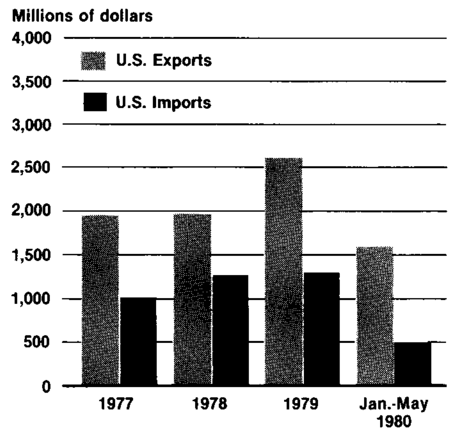
Overall, the Spanish economy is in its sixth year of economic stagnation, which has been characterized by high inflation and unemployment, low growth and a deteriorating balance-of-payments situation. Inflation is expected to be in the 16 percent range again this year, aggravated by sharp rises in energy, transportation and housing costs.

Unemployment has continued to increase sharply, affecting more than 10 percent of the labor force. So far, the government's efforts to reflate the national economy by expansionary monetary policies and fiscal performance have been unsuccessful.

During 1979, total Spanish exports grew by 39 percent over 1978, while imports increased by 36 percent. In contrast, Spanish exports to the United States grew by only 4 percent, whereas imports jumped by 26 percent to $3.15 billion.

U.S. Trade with

Spain



The United States remained the single largest supplier to Spain last year, accounting for 12.4 percent of the market. Data for the first four months of 1980 show Spanish imports from the United States up nearly 51 percent, whereas exports to the United States actually declined by 19 percent. The price competitiveness of U.S. goods has been enhanced by the notable depreciation of the dollar against the peseta since mid-1977. Subtracting petroleum imports from the Spanish total, the U.S. market share rises to an impressive 19.1 percent.

In 1979, Spain's current account surplus was nearly $1 billion, down from $1.6 billion in 1978. Prospects for this year indicate a further deterioration, with the distinct possibility of a payments' deficit. In response to this situation, the Spanish Government recently increased tariffs slightly. Since April 1979, the government has unilaterally maintained a temporary reduction in all customs tariffs. On May 9, Spain signed the MTN tariff protocol along with the codes on antidumping, product standards and customs valuation.

The United States also remained the single largest investor in Spain last year, highlighted by the General Motors decision to invest $1.6 billion in plants in Zaragoza and Cadiz.

Membership negotiations with the European Communities are continuing. Spain has long had a preferential trade agreement with the Common Market. A similar agreement with the seven-member

European Free Trade Association went into effect May 1.

Sales prospects to Spain are considered excellent for the following product categories: production equipment for the electronics industry, health care equipment, communications equipment and systems, production process control instrumentation, metalworking machinery and equipment, computers and peripheral equipment, laboratory, scientific and engineering instruments, electronic components, food processing and packaging equipment and solar energy equipment. The Commerce Department will sponsor catalog shows this fall on laboratory instruments, medical equipment, computers, and office equipment. In addition, Commerce will sponsor trade missions next spring on meat, poultry and fish processing as well as health care equipment.

SWITZERLAND

Market Remains Buoyant Despite Slowdown in GDP

By Anthon Berg

Switzerland remains an extremely lucrative market for U.S. exports despite predictions that Swiss GDP will grow by only 1-1.5 percent this year. Through five months of 1980, U.S. exports reached $2.1 billion or an 80 percent increase over the same period a year ago.

For the first time since 1965, Switzerland may have a slight deficit in its balance of payments this year. This is in sharp contrast to last year's surplus of 4 billion Swiss francs (SF). In 1979, Switzerland had a trade deficit of SF 4.6 billion, exports having increased by only 2 percent in real terms whereas imports grew by 9 percent.

The trade gap for visibles is widening due to higher oil import prices and to a lesser extent the appreciation of the Swiss franc. Energy-related imports almost doubled in 1979 but still only represented some 11 percent of total imports. Swiss inflation has moderated from 1979 levels and is at an enviable 4 percent rate. Unemployment has also continued to decline to a negligible rate of 0.2 percent.

Prospects for 1980 have been improved by the continued application of conservative fiscal and monetary policies. Also aiding the economic outlook is increased direct private investment, particularly in the construction sector, and buoyant consumer spending. Earlier this year, the Swiss National Bank lifted several measures adopted in 1974 which discouraged foreign capital inflows. Swiss banks are now permitted to pay interest on Swiss franc time deposits by foreign non-residents and foreign central banks. Regulations on forward sales of Swiss francs were also liberalized. These actions were designed to increase international demand for the Swiss franc as well as to offset inflationary impulses from higher-priced imports. A weakening of the Swiss franc in recent months is due partially to capital outflow from Swizerland seeking higher interest rates in the United States and elsewhere.

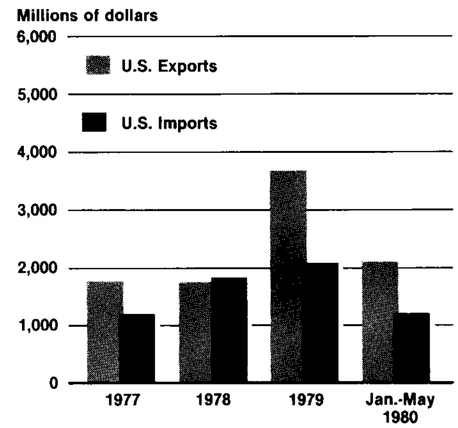
Due to its stable economic and political policies, as well as a strong currency, Switzerland has long attracted U.S. direct investment. U.S. investments totaled over $7.4 billion at the end of 1978, with $3 billion in U.S. assets. At the same time, Swiss investment in the United States has grown sharply over the past few years, totaling over $2.8 billion at the end of 1978. Reflecting its liberal trade policy, Switzerland was an active participant in the GATT Tokyo Round and has signed the six MTN agreements. U.S. exports to Switzerland in 1979 amounted to $3.7 billion, whereas imports were $2.1 billion.

Strong consumer spending, coupled with Swiss franc appreciation since 1978, offer promising opportunities for U.S. suppliers of quality consumer goods. U.S. exporters will continue to find an excellent market also for computers and peripheral equipment, electronics, advanced business equipment, process and pollution controls and biomedical equipment, security systems, packaging machinery and supplies and quality home textiles.

The Commerce Department will sponsor a Business Information Center at Switzerland's Technology for the People Fair in September. In addition, the American Embassy in Bern is sponsoring in October an exporter-importer meeting for U.S. manufacturers of medical equipment. The Embassy is also mounting that month a group exhibit at "Interprotecta," a leading international fair for security and safety equipment.

U.S. Trade with

Switzerland



UNITED KINGDOM

Outlook Darkens As Growth, Investment Declines Steepen

By Paul A. Norloff

Most U.K. forecasters have revised downward their expectations for growth in total domestic output and even official forecasts now expect a drop in gross domestic product in 1980 over 1979. Although the value of U.S. exports to the United Kingdom in the first quarter of 1980 substantially exceeds that in the same period of 1979, the outlook is not so optimistic. A record fall in the stocks of manufacturing industry in the first quarter of 1980, coupled with an expected strong decline in manufacturing investment during the year, indicate that recession is taking hold of the U.K. economy.

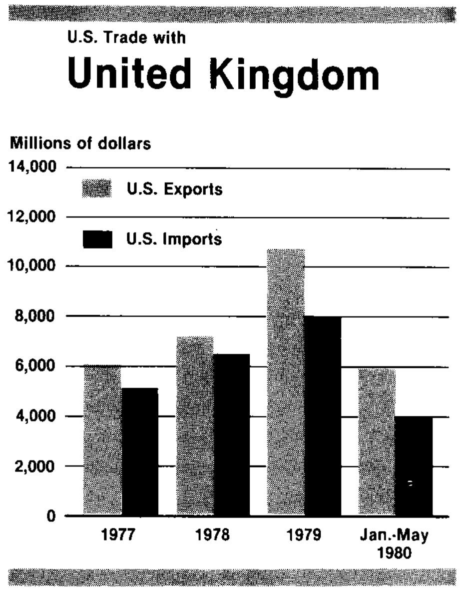
Real gross domestic product growth earlier this year had been expected to decline by only 1.5 percent. It is now seen likely to drop by at least 2.5 percent, with employment declining and unemployment rising. The rate of inflation is seen likely to drop to only 18.5 percent by the end of the year. While a turnaround in the economy was expected earlier this year to take place toward the end of 1980, that turnaround is now expected to occur about a year later.

The principal determining factor in the reduction in inflation and the subsequent recovery in personal consumption, investment and output is seen to be the level of wage increases. At the moment, the 19 percent average of wage settlements at the end of 1979 has carried over into 1980. As profit margins are squeezed by declining output and international competition, wage increases are expected to moderate. Consumer expenditures had been strong in 1979 as wage increases stayed ahead of the rate of inflation, but little expansion seems likely in this area in 1980. First-quarter manufacturing investment was 4.5 percent below the same period of 1979, with a drop of 6 to 10 percent likely for 1980 as a whole.

Most assessments of the current state of the U.K. economy call attention to the fact that, in relation to international competition, present U.K. manufacturing labor costs are about 30 percent above the 1978 level. With effective exchange rates remaining stable, a quick turnaround in competitiveness is unlikely. At the same time, import penetration by foreign manufactures has increased substantially whenever domestic output has failed to keep pace with increases in demand.

U.S. exports to the United Kingdom in January-April 1980 reached $4.6 billion, up 35 percent, to account for 11.3 percent of total U.K. imports from all sources. U.S. imports from the United Kingdom in January-April 1980 totaled $3.2 billion, a 40 percent increase over the comparable period in 1979. Interestingly, the United States, which had given up the position of leading individual country supplier to the United Kingdom to Germany in 1979, regained the lead position in the first quarter of 1980.

The best prospects for U.S. exporters in the months ahead include electronic components, electronic production and test equipment, consumer goods, computers and peripherals, security equipment and health equipment. Commerce's Market Launch Service, which seeks to aid U.S. exporters in participating in exhibitions in the United Kingdom, will be providing assistance to U.S. firms interested in participating in exhibitions beginning next October, involving electronic components, aids for the disabled, computers and peripherals, fast-food and catering equipment, boats, hardware and gifts, environmental pollution control equipment, clothing fashions, security and safety equipment, footwear, furniture, transducers and plastics production equipment.



DENMARK

Severe Decline In Economy Dampens Export Prospects

By Russell Romer

A severe decline in economic activity is expected to result in a modest reduction of U.S. exports to Denmark. Measures already taken to improve the country's economy by the recently elected government, and the probable adoption of more stringent economic restraint measures later this year, will further dampen U.S. export prospects.

To cope with long-term economic problems, including high energy costs, double-digit inflation and a drastically worsening balance-of-payments position, the minority Social Democratic Government worked with the smaller, non-socialist parties to develop and secure passage of a compromise program of economic measures. This package included heavier taxes on energy consumption, increased value added taxes, budget cuts of $1.4 billion, and a $1 billion program to promote industrial expansion, especially in export-oriented industries, and to stimulate employment. The Prime Minister also warned in May that new and more stringent actions may be required in the 1980s.

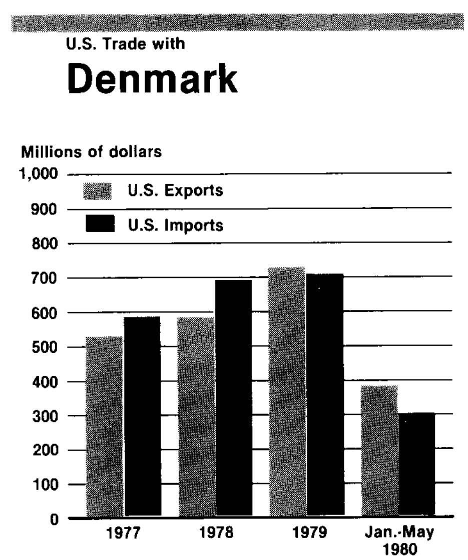
The Danish economy is in a state of stagflation, which is sapping the country's vitality. Gross domestic product is projected to decline 1 to 2 percent in 1980 from the level of $66.2 billion attained in 1979. Corporate investment may fall about 4 percent in 1980 because of a drop in private consumption and real income, as well as record interest rates.

For similar reasons, housing starts, which declined 8 percent in 1979, are expected to fall again this year by 10 percent. While public spending in 1980 will likely increase by the 3 percent maximum imposed by law, public construction cuts will probably amount to 8-10 percent. Unemployment is on the rise, having reached a level of 7 percent of the workforce in the first three months of 1980, as compared with an average of 6 percent in the past year. The inflation rate, based on the consumer price index, was 16 to 17 percent in May. More increases may possibly occur.

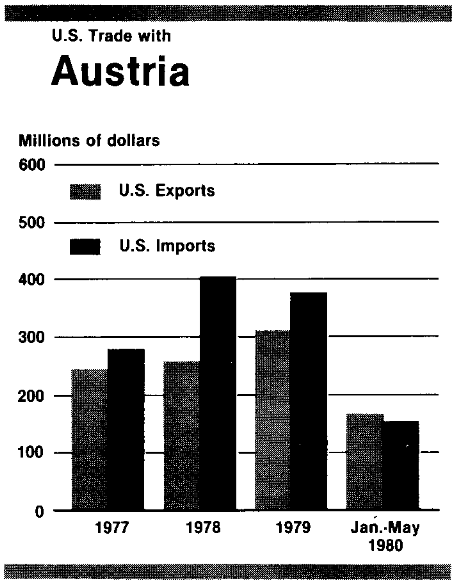
The country's balance of payments has worsened drastically, with a deficit in 1979 of $2.9 billion, about double that of 1978, and a deficit of $3 billion forecast for 1980. Petroleum costs contributed substantially to this deficit. In an effort to alleviate dependence on energy imports, a $1 billion project was announced to distribute natural gas from the North Sea.

U.S. exports to Denmark rose almost 30 percent in January-April 1980 over the same four months of 1979. This rate, however, is likely to decelerate later in the year, with cuts in public and private investment most likely to affect capital goods.

The downturn expected in U.S. exports will not uniformly apply to all American goods. Potentially excellent U.S. export possibilities are food processing equipment of various sorts, electronic components and production and testing equipment, refrigeration and air-



conditioning equipment, safety and security systems, natural gas equipment, electronic data equipment, T-shirts and sweatshirts of cotton or cotton blend, hiking boots, and U.S. brand men's dress shirts.



AUSTRIA

Hard Currency Policy Bodes Well For U.S. Sales

By Philip Combs

The determination of Austrian authorities to continue to pursue a hard currency policy bodes well for U.S. exports, which became increasingly competitive in Austria last year due to the greater purchasing power of the schilling.

U.S. exports to Austria in 1979 rose 20 percent to $312 million, aided in large part by unusually high import demand and continued decline in the value of the dollar versus the schilling. This pace of export growth expanded to 42 percent in the first four months of 1980 versus one year earlier.

Economic activity in Austria has unexpectedly picked up since early this year. Real growth, originally projected at 2.5 percent for 1980, now stands just under the 5.2 percent rate achieved last year, when GDP reached $68.6 billion.

A marked upswing would impede Austrian efforts to control inflation. Following an abrupt jump in the rate of increase in consumer prices in January, the projected increase for 1980 was revised from 4.7 percent to between 5 and 6 percent. Wholesale prices in April were up 1.3 percent over March, and 8.4 percent over a year earlier. Low inflation, together with the government's full-employment policy, have in the past set the stage for harmonious labor/management relations, a key element of recent Austrian economic stability.

Efforts to control inflation this year will continue to depend heavily on the ability of Austrian authorities to maintain the hard schilling policy which links the Austrian currency to the strong West German mark, and on success in restraining demands for higher wages. The government's stabilization measures, the core of which is a strong schilling, contribute to labor tranquility in Austria by helping to keep inflation rates low.

The $2.4 billion balance-of-payments deficit in 1979 was largely the result of a reversal of the long-term capital balance, due primarily to interest rate differentials between Austria and other industrialized countries, and a $4.8 billion foreign trade deficit. In the first quarter of 1980, the trade deficit was 58 percent above a year earlier.

Best sales prospects in Austria include health care and biomedical equipment; small business computers and word processing equipment; production equipment, test instruments and components for the electronics industry; and equipment for industrial modernization and innovation.

Other product categories showing strong potential are security equipment for industrial, commercial, and residential use; fuel-efficient motor vehicles; equipment and components for energy conservation; and selected consumer goods (including no-iron bed and table linen, leisure wear and sports clothing, and swimming pool accessories).

FINLAND

Favorable Economic Activity Enhances U.S. Sales Prospects

By Russell Romer

Continued favorable economic activity enhances prospects for moderate increases in U.S. sales to Finland.

During the early months of 1980, the real growth in gross domestic product at 1975 prices was maintained at the level of 7 percent achieved in 1979. By year-end, such growth should range between 6 and 9 percent. Investment will continue to grow in 1980. According to the Bank of Finland and the Confederation of Finnish Industries, increased private industrial investment of 10 percent is envisioned in 1980, with the most important involving modernization of the forest industry through purchases of machinery and equipment.

Industrial production, after stagnating for several years, rebounded in 1979 to an 8.5 percent increment as a result of virtually full-capacity operation. This year, productivity will increase rather substantially, but at a slower pace. Unemployment is expected to drop from 6 percent in 1979 to below 5 percent in 1980 because of the favorable economic trends.

The Finnish Government assisted the revival of the economy during the depressed period between 1976 and 1978. It improved the competitiveness of Finnish industry in foreign markets through currency devaluation and helped maintain high levels of disposable income by keeping inflation and interest levels at modest proportions.

The balance of payments on current account for 1979 descended to a deficit of $282 million, a marked contrast to the surplus of $612 million from the previous year. The balance of trade also went into the red by $180 million in 1979 from the previous year's surplus of $675 million. Increased fuel costs played a leading role in the 1979 trade deficit and were the main cause of the steep rise in imports. In 1980, trade and payments deficits as high as $1.3 billion and $1.5 billion, respectively, seem possible.

U.S. exports to Finland rose from $86 million to $158 million (85 percent), during the comparative periods of January-April 1979 and 1980. The jump in