

AID TO INDIA AND PAKISTAN

Mr. Paul Martin, the Secretary of State for External Affairs, announced recently that the Canadian Government had agreed to the use of Canadian counterpart funds to help finance 14 development projects in India and Pakistan. A total of 420,800,000 Indian rupees (equivalent to about \$75 million) has been allocated to five projects in India. In Pakistan a total of 40,200,000 rupees (\$9,100,000) will be used for nine projects. In both countries, most of the projects are in the field of agriculture.

The counterpart fund is a long-established feature of Canada's external aid programme and is designed to ensure that each aid dollar is put to maximum development use. When commodities are supplied on a grant basis (as in the case of food aid)

Canada requires the recipient country to set up an account in its own currency equivalent to the dollar value of the Canadian shipment. These funds must be spent on economic development, including education, technical training and social infrastructure projects. Title to the counterpart funds rests with the recipient; investment priorities are established basically on its initiative; but expenditures become subject to the donor's prior concurrence.

Under this system, the recipient country receives urgently-needed supplies of food and industrial materials, with a valuable saving in foreign exchange. It is able at the same time, to underwrite development programmes with an equivalent amount drawn from its national income.

TROOPS ENTERTAINED ABROAD

A troupe of 48 singers, dancers and musicians is performing this month for Canadian troops in Europe and Cyprus.

The show, which is being sponsored jointly by the Department of National Defence and the Canadian Broadcasting Corporation, gave three performances from March 13 to 15 for troops of the 4th Canadian Infantry Brigade Group based in Germany. Six performances are scheduled for Cyprus from March 20 to 23, at the Ledra Palace and Dome hotels, the crippled children's hospital and Camp Maple Leaf.

Featured performers with the show are singers Elaine Bédard, Shirley Harmer and Danielle Aubé. Conductor and arranger Dick Vogel, trumpet soloist Benny Barbara (formerly with Xavier Cugat and Perez Prado), the comic-dance team Benny and Judy, and guitarist Nico, who starred at Expo's Hospitality Pavilion, are members of the cast.

CANADA FACES THE CHALLENGE OF INFLATION

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Business-capital expenditures are still influenced by the reduced level of profits in many industries and by concern over costs and the marketing prospects for various Canadian industries. In some cases the level of investment may be affected by the reduced level of retained earnings available for financing it, and by high interest rates, though I have seen little evidence that there is any shortage of bank credit for Canadian business. Any rapid upturn in the level of business-capital expenditures is unlikely under present circumstances. Fortunately, the current level is a high one and permits the expansion of our industrial base and the modernization of Canadian equipment and techniques.

HOUSING CONDITIONS

Some improvement is evident in housing. In 1967, housing starts reached a total of 164,000 - less than we should have liked, but an increase of 22 per cent over 1966, and a better total than many had expected during the year. I have been glad to note that the wider latitude provided for the market to determine the rates of interest of National Housing Act insured mortgages, has led to an increasing flow of private funds from various types of institutions. The rates being paid for such funds are high by previous standards, and they are, as they must be, competitive with other interest rates in the financial markets both here and in the United States and Europe. I think we can look forward to a higher rate of private housing starts this year than last, particularly for apartments, while at the same time we are able to concentrate the funds provided by the Government to the Central Mortgage and Housing Corporation into various types of public housing....

It seems quite evident to me that our first priority in economic policy now must be to achieve greater stability in prices and costs.

The consequence of the expectation of continued increasing prices has been reflected in our capital markets, specifically the market for government and municipal bonds, and for mortgages. The high interest rates being asked by investors are partly a reflection of the high level of interest rates in the United States and in Europe, where similar conditions prevail, and also of the heavy demands placed on the capital markets in the past year. They also reflect, however, a widespread expectation of price increases continuing - not only in Canada but elsewhere, over a long period - which makes investors concerned about tying up their funds for a long time unless they get high yields in compensation for them. One important reason why we must stop these persistent inflationary trends is to make it possible for governments, municipalities and home-owners to be able to borrow money for long terms at reasonable interest rates.