

representations. Accordingly, Mr. Sharp has asked that the Canadian market situation again be reviewed.

TV IMPORTS

Towards the end of last year Canadian producers of television sets expressed their concern that, with the capacity of patent protection in June 1966, Japanese exports of television sets to Canada might accelerate at a very rapid rate and damage their industry. The Government has decided not to seek an export quota but to alert the Japanese Government to the worries expressed by the Canadian industry and to ask that the Japanese authorities take such steps as might be necessary to ensure that their exports of this product were marketed in an orderly fashion.

Mr. Sharp noted that, in the late 1950s and earlier 1960s, total restraints covered more than a third of Canada's imports from Japan. Today, notwithstanding that the restraint levels have been increased in every year since 1961, the restraints cover only 10-15 per cent of Japanese goods, owing to Japan's efforts to diversify into less sensitive products and to Canada's ability to agree to the removal of certain quotas.

In each of the last few years, a number of products have been freed from restraint. This year, three additional products have been removed from quota. These are: elastic webbing, ladies' fabric dress gloves and transistor radios. Mr. Sharp stated that this was consistent with the Government's policy of not asking for the maintenance of restraints when disruption to Canadian markets is no longer threatened. The Minister expressed the hope that the Japanese Government would recognize this as an indication of the willingness of the Canadian Government to work toward an orderly expansion of trade between the two countries. He also noted that no new products had been placed under quota this year.

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CATTLE MISSION FROM PERU

Six livestock specialists from Peru arrived in Canada recently to study various breeds of Canadian dairy cattle.

The trade mission, which is sponsored by the Department of Trade and Commerce, is intended to bring together men involved in the Peruvian livestock-improvement programme and Canadian breeders who have developed high-quality seed stock. A tour of Canadian breeding establishments has been planned by the Department with the assistance of the Ayrshire Breeders' Association of Canada, the Canadian Guernsey Breeders' Association, the Canadian Jersey Cattle Club, the Holstein-Friesian Association of Canada and the federal Department of Agriculture.

Canadian dairy cattle have been successfully introduced into Peru, and Canadian breeders hope to demonstrate that the Peruvian industry can profit from further imports. The excellent health of Canadian cattle, as well as their proven productive ability and desirable type, will be demonstrated.

Five members of the mission are leading dairy-men from various areas of Peru. The sixth is a bank representative, who is responsible for technical advice in the handling of World Bank funds allocated for Peru's agricultural programme.

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FEDERAL-PROVINCIAL ECONOMIC POLICY

(Continued from P. 2)

vincial would result in a greater and greater proportion of provincial budgets being devoted to programmes whose costs are shared by the Federal Government, leading to a continuing influence on provincial decision-making. The result would be to reduce the fiscal responsibility of the provinces, and to hamper them in establishing their own priorities.

We must recognize too that the provinces have more and more wanted to assume full responsibility for initiating and operating their own programmes, and that their ability to do so has grown demonstrably since the War. This has been especially true of Quebec, whose particular social and cultural goals have been a continuing and dominant influence on its approach to federal-provincial relations....

In discussing the proposed new approach I would differentiate between social and economic programmes.

SOCIAL MEASURES

With regard to the first of these categories (social measures), it is our view that, in respect of the three large and continuing programmes which come under provincial jurisdiction, federal conditions should be withdrawn as soon as full provincial responsibility for them can be established. I refer to hospital insurance, the Canada Assistance Plan, and the continuing portion of National Health grants. We are considering doing this in two stages.

First, the Federal Government would invite the provinces to take the first step towards greater fiscal independence and responsibility by accepting a new form of compensation in respect of these programmes, effective January 1, 1967. This compensation would be made up of three components: the "transfer" of 17 points of the individual income tax to the provinces; the associated equalization of these 17 points up to the national average under the general equalization formula; and an adjustment grant to each province which would bring its total compensation up to the federal share of the actual costs of the three programmes.

The tax transfer would take the form of a reduction in the federal personal income tax and a corresponding increase in the provincial tax. Assuming all provinces took this action, the increase in provincial revenues would automatically enter into the general equalization formula, resulting in an equalization of this tax transfer. The third element in the compensation is an adjustment payment, a programme equalization payment, which would be equal to the difference between the federal share of the actual year-by-year cost of each province of the three shared-cost programmes, and the value to that province of the tax transfer and associated equalization.