

## BALANCE OF INTERNATIONAL PAYMENTS

Canada's current deficit from transactions in goods and services with other countries was reduced to a preliminary estimate of \$453 million in 1964, from \$557 million in 1963, with the export balance from merchandise trade rising from \$503 million to \$700 million, a record size for a peace-time year. At the same time, the deficit from non-merchandise transactions, mainly because of the re-emergence of a deficit on travel account, rose by 9 per cent, to \$1,153 million, a level only exceeded in 1961. The reduction in the current deficit occurred in the second and third quarters, with the larger balances on merchandise trade in these periods, when receipts from grain sales to the U.S.S.R. were still substantial.

### COMMODITIES AND DESTINATIONS

The impressive rise in merchandise exports of 16 per cent was widely distributed as to commodities and destinations. Massive sales of wheat, particularly to the U.S.S.R. and other Communist countries, constituted a special element in both the totals in 1963 and 1964 but also in further increases in these shipments in 1964. Large expansions also occurred in most of the major export staples produced by the forest and mineral industries, both to United States and overseas destinations. Again highly significant elements of the increases were in the sector of manufactured goods. While imports also rose rapidly in 1964, the rate of increase, over 14 per cent, has been less than with exports, even though Canadian incomes were also expanding, as was business investment in fixed capital and in inventories.

During much of 1964, the external environment was favourable to Canadian exports, with rising activity in the United States and in other leading markets. But before the end of the year there were interruptions to rising trends in some overseas economies. In the same period, a change in the position of sterling was a new factor leading to a less favourable background. And the passage of the

Interest Equalization Tax legislation in the United States in the summer, with the granting of exemptions for Canadian new issues, affected the timing of capital flows. Interruptions of activity in the automobile industry, arising initially from industrial disputes in the United States, also affected the balance of payments in the final quarter.

### CURRENT-TRANSACTIONS DEFICIT

The deficit in Canada's current transactions on goods and services with foreign countries declined nearly 19 per cent, from \$557 million in 1963 to \$453 million in 1964. This was the smallest deficit since that of 1954, which was estimated at \$432 million. As in several preceding years, the reduction in the deficit originated in merchandise trade. Since the emergence of an export balance of \$173 million in 1961, the annual surpluses increased to \$503 million in 1963 and to \$700 million in 1964, the extraordinary sale of wheat and flour to the U.S.S.R. being a major contributor in the two most recent years. The 1964 deficit on non-merchandise transactions stood a shade below the peak imbalance of \$1,155 million in 1961. The improvement in the current-account balance in 1964 occurred entirely in transactions with overseas countries, the surplus nearly doubling during the year to \$1,206 million, the highest in the postwar years. On the other hand, the deficit on current transactions with the United States widened 40 per cent, to \$1,659 million, a shade above the earlier peak in 1956.

The totals for Canada's trade have been adjusted for balance-of-payments use, thereby reducing the size of the export balance shown in the trade of Canada by \$111 million in 1964. This has mainly been through the deduction from exports of receipts for wheat and military aircraft shown in the balance-of-payments series in the previous year, and from additions to recorded imports to account for pre-payments for military equipment.

\* \* \* \* \*

### CANADIANS IN NICOSIA

In the 1,150-man Canadian contingent to the United Nations Peace-Keeping Force in Cyprus is a small group of officers and men with a big job. They form headquarters, Nicosia Zone commanded by Brigadier Norman G. Wilson-Smith of Winnipeg, and exercise operational control over a 3,100-man multi-national force keeping the peace over 840 square miles of mountain and plain.

Canadians, Austrians, Finns and Danes are poised between dissident Greek and Turkish Cypriot factions. Their task is to prevent an outbreak of fighting and assist in a return to normal conditions. Every effort is made to settle disputes on the spot at the local level but, if this fails Brigadier Wilson-Smith and his staff step in to attempt an acceptable solution. The problems often have larger implications

and are then referred to the United Nations headquarters in Cyprus for action at the highest military and diplomatic level.

Every incident involving Greek and Turkish Cypriots is filtered through the operations room, where a round-the-clock watch ensures prompt response to every situation.

### NEW CHALLENGE TO WARRIORS

Peace keeping presents new challenges to soldiers trained for war. "Economics" is a new phase of operations within the headquarters, and a special staff deals with relief supplies, planting and harvesting of crops, mosquito control and immunization of cattle. Twenty additional Canadian, Finnish, Danish and British representatives have joined the staff to assist with economics, administration and additional liaison responsibilities.