

"We do our best to facilitate external trade, but we do not attempt to handle external trade through any Government organization, with the exception of the Wheat Board, set up at the request of the wheat producers themselves and managed for their benefit and to a large degree under their direction.

"The world situation is one over which no strong fiscal policy, as I understood the hon. gentleman to envisage the one he had in mind, to prevent the entering of goods from areas in which they are produced at less cost than they can be produced here, would have very much beneficial effect. . . ."

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**AIR AGREEMENT WITH JAPAN:** The Department of External Affairs announced on January 12 that an Air Transport Services Agreement between Canada and Japan was formally signed on that day in Ottawa. His Excellency, Dr. Koto Matsudaira, the Ambassador of Japan, signed the Agreement on behalf of his Government, while Mr. L.B. Pearson, the Secretary of State for External Affairs, and Mr. George C. Marler, the Minister of Transport, signed on behalf of Canada. The Agreement, which was negotiated in Tokyo and initialled there on November 24, 1954, will come into force when it has been approved by both Canada and Japan in accordance with their respective constitutional procedures.

The Agreement will enable a Canadian airline to operate an international air service between Vancouver, Tokyo, and Hong Kong via the great circle northern Pacific Route. A Japanese airline will in return be allowed to operate an international air service on a similar route between Tokyo and Vancouver and other points to the south. Full traffic rights at Tokyo and Vancouver will be exchanged reciprocally under the Agreement.

At present Canadian Pacific Airlines operates a Vancouver-Tokyo-Hong Kong service on a temporary basis, and it will be the Canadian airline designated under the Agreement. A Japanese airline will be designated by the Government of Japan in due course, when it is ready to operate the northern Pacific route set out in the Agreement. Japan Air Lines now operates a trans-Pacific air service between Tokyo and San Francisco.

The Air Agreement is the second important bilateral agreement concluded between Canada and Japan since the San Francisco Peace Treaty. The first was the Agreement on Commerce which was signed in March 1954. These two Agreements, one promoting trade and the other improving communications, should serve to bring about closer relations and thereby strengthen the bonds of friendship existing between Canada and Japan.

**PROVINCIAL FINANCES:** Net general revenues and expenditures of Provincial Governments of Canada reached new peaks in the year ended March 31, 1953, according to the Dominion Bureau of Statistics. Net general revenues totalled \$1,258,000,000, an increase of \$181,000,000 over the preceding year, and net general expenditures amounted to \$1,207,000,000, an increase of \$133,000,000.

Taxes accounted for about 39% of total revenues, federal tax rental agreement for 24%, and liquor profits for 10%. The greater part of total Provincial Government expenditures went for transportation and communication (30%), education (18%), and health (16%).

The 1947 Tax Rental Agreements expired on March 31, 1952. Similar agreements covering the next five years were made with the Provinces which had signed the 1947 agreements. The Government of the Province of Ontario signed a 1952 agreement leasing personal and corporation income taxes and special taxes while retaining the right to levy succession duties. During the year the Provinces received the final payment under the 1947 agreement as well as the first four quarterly payments under the 1952 agreement.

#### OLD AGE ASSISTANCE

On January 1, 1952, the Government of Canada assumed full responsibility for pension payments to all persons aged 70 years and over and agreed to contribute 50% of not more than \$40 per month towards Provincial Government pensions to needy persons aged 65-69 years and 75% of not more than \$40 per month towards Provincial Government pensions to the blind. This shift in responsibility for old age pensions resulted in a decrease in 1952-53 of nearly \$70,000,000 in provincial gross ordinary expenditure on aid to aged persons.

Revenues from taxes decreased to \$487,000,000 from \$566,000,000 in the preceding year. Federal tax rental agreement revenues increased to \$303,000,000 from \$96,000,000. The decrease in taxes as well as the increase in revenues under the federal tax agreement are largely due to the entry of Ontario into the group of agreeing Provinces under the rental agreements Privileges, licenses and permits accounted for \$281,000,000 (\$228,000,000 in 1951), and liquor profits for \$126,000,000 (\$115,000,000).

Net general expenditures on transportation and communication increased to \$367,000,000 from \$299,000,000 the year before, on education to \$221,000,000 from \$196,000,000 and on health to \$192,000,000 from \$174,000,000.

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According to the latest estimates Canada possesses 397,313,000,000 cubic feet of merchantable timber, of which about two-fifths are considered accessible to commercial operations at the present time.