

### Supplementary contribution for Palestine refugees

*The Secretary of State for External Affairs, Allan J. MacEachen, recently sent the following message to the Secretary General of the United Nations, Dr. Kurt Waldheim:*

In messages on June 21 and July 30, 1976 you have drawn the Prime Minister's attention to the most difficult financial situation faced by the United Nations Relief and Works Agency for Palestine Refugees in the Near East. The Government of Canada, having studied with great sympathy the obligations which UNRWA will have to carry out in the near future and the needs to which it responds, has decided to consider favourably your appeal for a further Canadian contribution to the Agency for 1976. Accordingly, Canada will be making shortly a supplementary contribution of \$300,000 Canadian to help the Agency pursue its activities. This sum will be in addition to Canada's regular contribution for 1976 which amounted to \$3,350,000 Canadian and which represented in itself a \$150,000-increase over the 1975 level.

Since the creation of UNRWA, Canada has never failed to give it tangible support. Our concern for the fate of these refugees has never faded; on the contrary, we are extremely concerned that it has not been possible over the years to find a permanent solution to the conflict in the Middle East of which they are the victims. Until that goal is finally attained, UNRWA's valuable services should be maintained. The Government of Canada is as concerned as you are with the precarious financial situation of the Agency. We shall therefore be prepared to examine with you and with other members of the Organization what can be done to ensure continuation of essential humanitarian activities of UNRWA.

### Business trends favourable

In a detailed look at economic performance in Canada and the United States over the past year, the Bank of Montreal's August *Business Review* concludes that business conditions are in moderate recovery and forecasts that this "favourable" trend will continue into 1977.

Regarding consumer spending, the *Review* points out that the increase in the first year of recovery has been about normal compared to earlier upswings. And while consumer attitudes appear to be more optimistic than they were a year ago, they are still depressed by historical standards. However, take-home pay is up 14 per cent in Canada and 11 per cent in the U.S. over the past year.

In all, the *Review* states that "enough momentum appears to have been built up to ensure continued strength in consumer spending well into 1977. Attitudes should improve and while wage-rate increases will probably decline, employment growth, at least in Canada, seems likely to pick up substantially".

The investment picture, however, is not as encouraging. In fact, it "has been fairly weak, a situation which will have to change at least in 1977 if the upswing is to continue".

And while profits normally rise during a recovery period, this time profit growth in Canada "has been anaemic". As a result, there is concern that a turn-up in investment will not materialize and the upswing will peter out.

### Foreign trade

In foreign trade, Canada's merchandise exports were stimulated by the U.S. recovery and increased 16 per cent in the one year ending in May this year, with autos and auto parts to the U.S. leading the way.

Although imports also rose in this same period, the *Review* forecasts that "Canada now appears to be returning to its more traditional surplus position. However, with trade in services in a deeper and worsening deficit, the country is still running an over-all current-account deficit about as large as in 1975 when it was a record \$5.1 billion".

In the face of this deficit, the Canadian dollar would normally be expected to be under downward pressure. But since interest rates remained at a high level, Canadian borrowers found it attractive to seek U.S. financing and heavy capital inflows have produced the opposite effect on the dollar.

Close to \$5 billion has already been borrowed in foreign markets this year, the *Review* reports. This exceeds total 1975 foreign borrowings and "it is difficult to believe that this can be sustained much longer and...the dollar

will inevitably decline".

The upward pressure on the Canadian dollar did for a time threaten the Bank of Canada policy of restraining growth in the narrowly-defined money supply (currency and demand deposits at banks) to a 10-to-15 percent range. But according to the *Review*, Canadian financial authorities seemed to view the dollar's strength as temporary and the Governor of the Bank of Canada in fact indicated that the money supply target-range would be lowered in the near future.

While the narrowly-defined money supply has been held down, the *Review* points out that the more widely defined money supply has advanced at a fast pace because of strong loan demand. Except for April and May, loans have increased at "annualized" rates of over 20 per cent in every month this year.

First-quarter inventory buildup, continued inflation resulting in increased working capital requirements, slow-profit growth and continued high long-term interest rates which encourage the deferring of long-term borrowing in favour of short-term loans, are seen as key factors behind this strong demand.

In the area of fiscal policy, the *Review* notes that all levels of government in both countries have been attempting to curb excessive spending by trimming expenditure growth rates. However, the *Review* questions, "Whether this relative moderation will be achieved is a moot point. Recent experience has shown that supplementary spending often increases the totals substantially as the year proceeds".

### Fees hike for foreign students

Fees paid by new students from abroad who attend Ontario universities and colleges of technology are to increase. The new rates at colleges begin in September and at universities in January 1977, and apply only to foreign students beginning a course of studies for the first time.

The present charge of \$585 per two-term academic year at universities, will increase to \$1,500. At colleges of applied art and technology throughout the province fees for foreign students rise to \$750 per two-term academic year, from \$250.