

# Canada Weekly

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- Review of Canada's economy in 1973 and outlook for 1974, 1
- Manitoba mink rivals sable, 3
- McGill University successful experiments in plastic sealants prevent tooth decay in children, 3
- Nickel project in Brazil, 4
- Canadian oil price may double, 4
- Beef import surtax lifted, 4
- New Brunswick-Massachusetts trade and tourist co-operation, 4
- Plans set for new aviation museum, 4
- Foreign investment guides tabled, 5
- Trade agreement with Bulgaria, 5
- New top Mountie, 5
- Canadian embassy in Saudi Arabia, 5
- U.S. music gift to Mount Allison, 5
- Hockey news at January 9

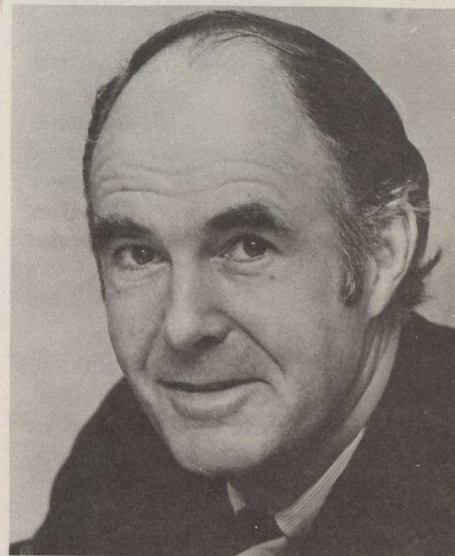
## Review of Canada's economy in 1973 and outlook for 1974

*The Minister of Industry, Trade and Commerce, Alastair Gillespie, issued the following statement at the beginning of January:*

For the third year in succession, the Canadian economy in 1973 expanded at above its average longer-term growth rate. Gross national product (GNP) increased about 14 per cent to a total of approximately \$117 billion, and in real terms output increased by close to 7 per cent. This expansion in real production was the highest for any year since the mid-Sixties and was among the highest of any industrialized country in the world.

This growth reflected strength in the major sectors of the economy. Business spending on new plant and equipment picked up substantially after several years of comparatively modest increases. Housing starts reached a new record level. Consumer markets remained generally buoyant. Exports rose faster than they have at any time in the last two decades. This was accompanied by one of the largest gains of employment in recent years and a decline in the rate of unemployment.

But a less encouraging aspect of 1973 was the increasing momentum of price increases. While price increases in Canada were somewhat less than in most other industrialized countries, they have exceeded recent experience in Canada. In part, inflation of costs and prices in 1973 reflected the scarcities of many industrial materials caused by rapid economic growth proceeding almost simultaneously in most of the major industrialized countries. In addition, temporary world scarcity of feed grains and food products arose when crop failures in some major producing countries coincided with rising consumer demand. Major currency re-alignments during the year contributed to rising prices of imports into Canada. Particularly in the later months of the year, the costs of petroleum fuels rose as Arab states in the Middle East announced cutbacks in oil production and major increases in well-head prices. Higher prices for oil were in turn imposed by other major oil-exporting countries.



Mr. Alastair Gillespie

### Employment gains

The sharp increases in economic activity were accompanied by one of the largest gains in employment for any year in Canada's recent history, about 5 percent over that of the previous year, reaching an average employment for the year of about 8.7 million....The average unemployment rate fell from an average of 6.3 per cent in 1972 to an estimated 5.7 per cent in 1973.

\* \* \* \*

Consumer expenditures rose to an estimated \$68 billion for the year, up by about 14 per cent from those of 1972. The strongest sector was consumer durables, where expenditures increased by nearly 20 per cent, faster even than the rapid pace of expansion in the previous year. Highlighting the trend, passenger-car sales showed a major gain, moving up to around one million units for the first time. Increases have also been substantial in other sectors of consumer spending.

### Strengthening trend in investment

The strengthening of capital investment provided an important thrust to economic expansion during the year.

It is anticipated that total capital spending by both government and business for the year will have risen by about 15 percent over that of 1972 to over \$25 billion, and may even attain \$26 billion.

Housing construction was the major element of strength with increased expenditures of more than 20 per cent. Housing starts reached a new record level of over 250,000 units. The level of housing investment in the third quarter of 1973 represented a higher proportion of GNP than in any period in the past decade.

Business expenditures on new machinery and equipment also increased strongly and at a rate not much lower than that of housing. This came after several years of comparatively modest increases.

#### Strong growth in trade

...Reinforced by major price increases for some of Canada's most important export products, the total value of exports rose to over \$24 billion, an increase of more than 20 per cent in 1973, a larger increase than in any year since 1951. Stimulated by an exceptional demand for food and industrial materials, Canadian export prices rose sharply and accounted for perhaps one-half the total rise in the value of Canadian exports. This still left the increase of exports in real terms well above the long-term growth pattern.

Export sales were higher to nearly all Canada's principal markets, led by major gains in automotive goods, lumber, crude petroleum, copper and wheat. The value of shipments to the United States, reflecting strong economic growth there, was up about 20 per cent, accounting for nearly two-thirds of the over-all rise in Canadian exports. Overseas sales rose rapidly accounting for a much larger part of the total increase in exports than in the preceding year. The sharpest gain was in exports to Japan, amounting to an increase of more than two-thirds over their 1972 level. The year 1973 saw Japan ascend to the rank of Canada's second largest trading partner. Exports to the six original members of the EEC were up very substantially, showing an increase of about one-quarter. While sales to Britain showed a smaller rise than this, sales to other Commonwealth countries rose close to one-third. There have been large in-

creases as well in exports to China and the U.S.S.R., mainly reflecting a large jump in their grain purchases from Canada.

High economic growth has meant a continuing strong demand for imports which increased about 20 per cent in the past year. Among commodities imported in substantially larger amounts were automotive goods, industrial machinery, crude petroleum, aircraft and food.

The stronger pace of exports in absolute terms contributed to an improvement in Canada's merchandise trade surplus, which rose to over \$1.75 billion. This was despite a major reduction in Canada's bilateral trade surplus with the United States. Nevertheless, Canada recorded a current account deficit in 1973 not much different than the \$600-million deficit of the previous year.

A feature of the year was the relatively sharp movements of major currencies which in general rose in relation to the Canadian and American dollars earlier in 1973. In the latter part of the year, a fall in major European monetary units and the Japanese yen moved world currencies part way back towards the position at the beginning of the year.

#### Expansion in industrial production

The volume of industrial production showed a major expansion in 1973 with an increase of 8.5 per cent over 1972 levels. Almost every division of manufacturing showed increased real output. The primary and resource industries showed a particularly marked increase in production.

The transportation-equipment industries rose particularly strongly in 1973. Once more the automotive sector reached a new record in production, turning out over 1.6 million vehicles. At the same time output of auto parts and accessories increased substantially. Many industries active in supplying construction materials and capital equipment have also moved up to higher production levels. Operations in the steel industry have advanced strongly to near capacity while order books have continued to lengthen. Meanwhile, there has been a substantial upswing in the manufacture of industrial machinery, lumber, cement and in other divisions of the building-products industry. Increases in consu-

mer incomes and the high level of housing construction has meant a continuing strong upward trend in the output of household appliances, furniture, recreational equipment and textiles.

Increases in metal mining and processing were spurred by a major upsurge in world demand and buttressed by the availability of new capacity. With world demands for energy resources higher than ever and the impact of the Middle East oil crisis, there has been a strong impetus to raise petroleum, natural gas and electric energy production in Canada. The pulp and paper industry, also, has been under marked pressure to expand output in the face of rising world demand and operated at about full capacity except for a period in late summer when output was adversely affected by strikes of pulp and paper and railway employees.

#### Economic outlook for 1974

The outlook is for a somewhat less aggressive tempo of economic activity in Canada in 1974. Nevertheless, in terms of real GNP growth, Canada's prospects suggest that it could again rank near the top among major industrial countries in 1974. During most of the past year the economy has operated at close to its full potential, and in some cases further major increases in output can only be achieved upon the completion of new investment programs designed to provide additional capacity. Over-all demand forces, while less uniformly favourable than at the same time a year earlier, are still expected to provide an important continuing stimulus for the Canadian economy. Of particular moment, the economy is expected to benefit from a rising tempo of business spending on new plant and equipment, already in progress during 1973.

\* \* \* \*

...The demand for Canadian exports in 1974 may contribute less to expansion than it has in the past year. A relatively stronger pattern in imports is expected to persist in the coming year. Among factors influencing the import trend, the major rise that now seems in the making in business fixed investment will probably draw imported capital goods into the country in greatly increased volume. The direct and indirect effects of sharply higher

### Manitoba mink rivals sable

The most exciting recent event in the fur industry was the birth of a new fur, "Natural Royal Samink". This fur is so rare that in 1972 there were only 15 coats in existence. In 1973 there were another 150.



*Raymond Couture, discoverer and producer of Samink at his mink farm at Carman, Manitoba.*

It began in 1965 when Raymond Couture noticed an animal completely different from all the others in the herd at his St. Pierre Fur Bearers, Ltd. mink farm at Carman, Manitoba. The little male mink had fur two to three times as deep as a fine ranch mink with all the appearance of sable, the "queen" of furs.

Mr. Couture consulted Maynard Johnson, a prominent geneticist, owner of the Black Diamond Fur Farm at Two Harbors, Minnesota, United States, and Alvin Jenson, who has, it is claimed, one of the finest breeding herds at Oklee, Minnesota.

After five years of breeding, selecting and culling, the three partners produced a special mutation that occurs once in probably ten million times, making it the rarest of all minks. This was the founding of the Natural Royal Samink dynasty. It has a fur that provides the appearance and luxury of sable with the sheen and durability of mink.

Once they had developed a herd of this unique type of mink, the three producers formed Furmillion Corporation, a Manitoba registered company.

Samink garments retail in a range comparable to sable. A full length coat



*Natural Royal Samink coat designed by I. Wasserman Incorporated for Furmillion Corporation of Manitoba.*

commands a price of about \$11,000.

This year 15,000 pelts will be produced — about ten times the initial crop.

Whereas sable is restricted to two colours, Samink can be bred to a wide range of shades and it is available in black, sable brown, sterling, olive beige and white.

### McGill University successful experiments in plastic sealants prevent tooth decay in children

The December issue of *Research McGill* reports that Dr. John Stamm, a professor in McGill's Faculty of Dentistry, Montreal, recently carried out tests using plastic fissure sealants to prevent tooth decay. If these substances are applied to the fissures of a child's first permanent molar teeth before decay has set in, they successfully prevent caries in those teeth as long as the substance adheres — this is usually at least one year, at which time the sealant can be reapplied.

Dr. Stamm's experiments involved coating the biting surface of teeth with "plastics" like polyurethanes and acrylics. These were perfected in the United States by a team of researchers at Rochester, New York, and are now being tested in clinical trials. The technique is based on the theory that if the fissures of the molar are "sealed", one of the tooth's most vulnerable surfaces is rendered resistant to decay. These fissure sealants, once

applied, are transparent and therefore invisible, nor do they in any way interfere with the bite of the teeth.

#### Method of application

The application of the sealant to the tooth does not result in any kind of chemical bonding but produces what can be called "mechanical" bonding in the spaces between the prism-like structures at the surface of the enamel. This mechanical bonding allows the material to adhere securely where other dental materials, like cement, would not last. The success of the sealant does not depend on the plastic filling in the fissure but rather by sealing over the fissure, thereby reducing or completely preventing interaction between the microorganisms of the oral environment and the fissure. The technique can be carried out very rapidly; the dentist, having ensured that the tooth is completely free from decay, dries the tooth, conditions the enamel

with a mild acid to open up the pores between the prisms, and then applies the sealant. After allowing the liquid to flow into the inter-prismatic regions of the enamel for some 15 seconds it is then "cured" or hardened under ultra-violet light for 30 seconds; the chewing surface of the tooth then has resistance equal to that of the enamel it covers.

In the experiments carried out by Dr. Stamm at McGill the material stayed on for one year in 89 per cent of the cases and was highly successful in preventing decay. The sealants currently used do not adhere to the tooth indefinitely but the material can simply be reapplied at any time. If the sealant does come loose it falls off as one chunk, so that there is no possibility for seepage underneath the material which could cause decay.

There are certain limitations to the use of fissure sealants on a wide scale. The period of time during which a

child's first permanent molars can be properly treated is fairly short; if they are not treated within six months after eruption, 60 per cent of these teeth may be unsuitable for treatment. Another limitation is that it can only be applied to the chewing surface of posterior teeth. Unfortunately, the major portion of decay occurs in the areas between the teeth where sealants cannot be applied.

Further research is still required, but fissure sealants have already been accepted and applied by a number of dentists in North America. Provided the application procedure is strictly adhered to the material will almost certainly stay in place for at least a year.

### Nickel project in Brazil

Baminco Mineração e Siderurgia, S.A. (Baminco) of Brazil has announced that The International Nickel Company of Canada, Limited and a German consortium composed of Metallgesellschaft AG of Frankfurt and Exploration und Bergbau GMBH of Düsseldorf have entered into a participation agreement to determine the feasibility of developing lateritic nickel deposits at Barro Alto, in the state of Goiás, Brazil. Baminco is a Brazilian company that holds rights to acquire mining concessions over the Barro Alto deposits.

Baminco has been conducting geological and metallurgical work since 1970 to determine the potential of the Barro Alto deposits. Under the agreement, work on the deposits will be continued and expanded. Baminco will mine a representative bulk sample of the ore for shipment in 1974 to Inco's research stations at Port Colborne, Ontario, for testing.

The agreement gives Inco and the German group equal interests in the project and in Baminco, in which the German companies have held a controlling interest.

### Canadian oil price may double

Energy Minister Donald Macdonald has revised upward the Government estimates on oil costs after the present price freeze is lifted. He estimates that the price of Canadian oil may go up 100-150 per cent at the wholesale level by mid-year.

### Beef import surtax lifted

Arrangements for terminating the surtax on beef by February 10 were announced to the House of Commons on January 4 by Finance Minister John Turner. The tax would, he said, be phased out in three instalments beginning January 14.

The surtax was imposed November 3 owing to unusually large imports of cattle and beef which were threatening the stability of the market and endangering future production of cattle and beef in Canada.

The temporary surtax was 3 cents a pound on imports of live cattle and 6 cents a pound on beef. "Effective midnight January 13," stated Mr. Turner, the surtax on live cattle will be reduced to 2 cents a pound and the surtax on imports of beef to 4 cents a pound. A further reduction, to take place at midnight January 27, will reduce the surtax to 1 cent a pound on live cattle and to 2 cents a pound on beef. The surtax will no longer apply as of midnight February 10."

The tax had been imposed to deal with a temporary situation resulting from the marketing of large numbers of cattle from the United States, which had been held back from the market during the U.S. price freeze that ended early in September.

### New Brunswick-Massachusetts trade and tourist co-operation

Premier Richard Hatfield of New Brunswick and Governor F.W. Sargent of Massachusetts, U.S.A., signed a trade promotion and tourist development agreement last month which calls for mutual assistance in the marketing and display of manufactured goods.

Massachusetts agreed to assist New Brunswick manufacturers in making marketing contacts in the state and to assist provincial government agencies in arranging displays of New Brunswick products in shopping centres throughout Massachusetts.

The U.S. state will also participate in efforts to alleviate technical problems encountered by New Brunswick truckers hauling to and from Massachusetts.

In return, New Brunswick agreed to assist Massachusetts in identifying, arranging and supporting development

displays in the province which will incorporate the sale of products manufactured in the state.

The province will also supply Massachusetts with a list of agents and distributors and make contacts on behalf of state manufacturers, particularly for the sale and distribution of roses and other flower products.

In tourist development, New Brunswick will assist Massachusetts in the showing of short films on television within the province which portray the state as a major year-round tourist attraction.

The agreement also calls for further talks concerning the possibility of a joint tourism advertising campaign in connection with the summer games in Montreal and a review, on a commodity basis, of government purchasing in an effort to eliminate preferences between the two jurisdictions.

### Plans set for new aviation museum

Trustees of the National Museums of Canada have approved the planning for a new aviation museum to house the national aeronautical collection. The proposal has yet to receive Cabinet approval for funding and location.

The sketches are being prepared on the basis that a site adjacent to Ottawa International Airport will be chosen.

At present, most of the 90 or so aircraft are exhibited in three aging, wartime hangars at Canadian Forces Base Ottawa North. Others are located at Uplands airport, the War Museum and the National Museum of Science and Technology.

Air Marshal C.R. Dunlap (retired), president of the RCAF Memorial Fund, stated that the collection deserved a "suitable display building which must be fireproof and waterproof, because these aircraft are priceless and irreplaceable." He added that the proposed building should be air-conditioned, because old aircraft were susceptible to damage by changing weather. The Rockcliffe hangars are neither air-conditioned, fireproof nor weather-proof.

The air marshal said that the RCAF Memorial Fund committee was considering the allocation of funds towards the cost of a commemorative foyer in the proposed building.

### Foreign investment guides tabled

Guidelines have been tabled in the House of Commons to assist decisions by foreign investors prior to the proclamation of the Foreign Investment Review Act. Under the Act, investment by foreigners into fields unrelated to their existing domestic operations will be subject to screening and could be halted if the screening board found no significant benefit to Canadians. The guides, which are general rather than precise rules on related businesses, suggest that a new business may be related to another if: it yields a product or service directly substitutable for an existing product or service made by the investor in Canada; it manufactures a product to be used in an existing process or activity of the investor, as long as a substantial proportion of the new business output is used for this purpose; current production of the investor is used to the new business without distorting existing production of the investor; it is a service business complementary to an existing business of the investor; it uses an existing or similar technical process to that used already by the investor in Canada but for the making of a different product.

A business would not be considered to have moved into a new commodity, and thus subject to the review, if it produced "a different product mix on its existing plant with no significant changes made in its existing plant and equipment".

The Act will be proclaimed in two stages, the first relating to acquisition of Canadian businesses and a later proclamation covering new investments.

### Trade agreement with Bulgaria

The Secretary of State for External Affairs, Mitchell Sharp, announced this month that the trade agreement between Canada and Bulgaria had entered into force definitively with the exchange of instruments of ratification. The agreement provides for "most-favoured-nation" treatment of exports from both countries and for the facilitation of visits by businessmen. Most favoured-nation-treatment was originally granted to Bulgaria in 1963, when a previous

trade agreement was concluded.

Canada's trade with Bulgaria in 1972 amounted to \$2.3 million, of which almost three quarters were Bulgarian exports. Canada's major exports to Bulgaria included raw hides and textile machinery. Main imports to Canada were agricultural products, such as fruit juices, wines and peaches. Mr. Sharp stated that the trade agreement represented an element in the broadening of Canadian-Bulgarian relations, and expressed the hope that it would lead to an expansion of bilateral trade.

### New top Mountie

Former Deputy Commissioner Maurice J. Nadon is the new Commissioner of the Royal Canadian Mounted Police, succeeding W.L. Higgitt, who retired on December 31 after serving as Commissioner for four years.



*Mr. Maurice J. Nadon*

The new Commissioner, who is 53, has served with the RCMP for over 32 years, having joined in 1941 as a Sub-Constable.

Following postings at Montreal, Quebec City and Rimouski, he was transferred to Ottawa in 1957 and the following year he was promoted to Sub-Inspector.

His service has been mainly criminal investigation, including the "black

market squad" during the war years, the counterfeiting section, the special investigation squad now known as the criminal intelligence section, as well as the drug squad in Montreal.

In 1962 the new Commissioner moved to Quebec City as Officer Commanding Quebec Sub-Division, a position he held for three years.

From 1965-70 he held various positions at RCMP Headquarters in Ottawa, until 1970, when he was promoted to Assistant Commissioner and transferred to Toronto. On returning to Ottawa in 1972 he was promoted to Deputy Commissioner (Criminal Operations).

Commissioner Nadon is a member of the Executive Committee of the International Association of Chiefs of Police. He has also been a member of the Canadian delegation to the general assemblies of ICPO (Interpol) in Europe and Asia in recent years.

### Canadian embassy in Saudi Arabia

The Secretary of State for External Affairs, Mitchell Sharp, recently announced that the Canadian Government would approach the Saudi Arabian Government with a view to opening a resident Canadian Embassy in Jeddah in the next few months.

This decision is an expression of the Government's policy of strengthening Canada's representation in the Middle East, where, in addition to the continuing pursuit of general foreign policy objectives, there is at this time an increasing Canadian interest in the field of energy.

The Government will shortly be considering the opening of other Canadian missions in various parts of the world, including the Middle East, for the next few years following the implementation of the current program.

### U.S. music gift to Mount Allison

David J.S. Manbey, U.S. Consul General at Halifax, Nova Scotia, recently presented to Mount Allison University, New Brunswick, on behalf of the United States Information Service, a collection of records and musical scores. Dr. George Proctor, head of the Music Department, received the gift.

In outlining the contents of the gift Mr. Manbey said there were a number of compositions of Charles Ives: "As those of you who have made a study of American music will know, Ives, who lived from 1873-1954, was probably the first American musical revolutionist. During the nineteenth century most Americans had had their musical educations in Europe and had tended to write in the style of their European teachers when they returned to America. Ives did not study in Europe and had a father who was a local bandmaster with innovative ideas. He told his son, for example, to play popular tunes with the right hand in one key and with the left in another, saying that this would "stretch his ears".

Other composers represented in the collection are Edgar Varese and John Cage.

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#### Hockey news at January 9

##### National Hockey League

###### Results January 5

Montreal 5, Vancouver 3  
Los Angeles 5, Toronto 3  
Boston 6, NY Islanders 2  
Pittsburgh 5, Buffalo 2  
Philadelphia 3, Minnesota 3  
St. Louis 4, California 1

###### Results January 6

NY Rangers 5, Atlanta 2  
Detroit 9, Minnesota 6  
Buffalo 6, Vancouver 3  
Chicago 9, California 4

###### Results January 7

Toronto 6, Atlanta 2  
Montreal 2, Philadelphia 1

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*Ähnliche Ausgaben dieses Informationsblatts erscheinen auch in deutscher Sprache unter dem Titel Profil Kanada.*

##### Results January 8

Los Angeles 3, NY Islanders 1  
St. Louis 3, Vancouver 1

##### World Hockey Association

###### Results January 5

Quebec 5, Vancouver 2  
New Jersey 2, Houston 1  
Cleveland 1, New England 0  
Minnesota 6, Chicago 5

###### Results January 6

Edmonton 6, Minnesota 4  
Houston 7, Winnipeg 1  
New Jersey 4, Toronto 2  
Quebec 4, Chicago 0  
Cleveland 11, Vancouver 3

###### Results January 7

Vancouver 5, New Jersey 4

###### Results January 8

Houston 6, Edmonton 2  
Los Angeles 4, Winnipeg 1  
Cleveland 0, Chicago 0  
Toronto 3, New England 2

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#### Canada's economy (Contd from P. 2)

prices for petroleum and petroleum products will also be significant in adding to Canada's import bill (and of course to Canada's export earnings). A partial offset will come in a deceleration in the rate of increase in imports of automotive goods which in 1973 rose by about \$1 billion. Moreover some foreign products Canada normally imports in large quantities, e.g. textiles and clothing, may become less competitive and Canadian producers may be called upon to fill gaps in supply. In summary, however, in the light of uncertainties in international markets in 1974, some decline from the level of the very substantial trade surplus in 1973 seems likely.

#### General price trends

Persistence of inflation continues to be a major problem although there is cause for hoping that the peak of the upward pressure on prices may have been passed. An important consideration here is that with the slowing of growth in industrial countries there has been some relaxation of the demand and price pressure on industrial materials. In addition there has been some improvement in world food supplies which should slow down the rate

of price increases in this sector. Weighing heavily on the other side, however, will be the major factor of greatly increased prices of petroleum, petroleum products and other energy resources. Rising unit labour costs, both at home and abroad, could also limit any improvement in general price trends.

The expansion of capital spending for new industrial capacity in Canada may be one of the most important means at our disposal for ultimately securing an abatement in the rate of price increase. The available evidence indicates that the marked strengthening of business capital spending, which was well launched in 1973, will continue and gain momentum in the current year. The results of a field survey of capital spending intentions carried out late in 1973 showed that major companies in Canada plan to raise their capital outlays by more than one-fifth in 1974....

Given major impetus by the Middle East oil crisis, exploration and development in the energy-resources field is expected to be a principal area of capital spending growth in 1974 and in the years lying further ahead. Investment in electric power facilities, oil and gas wells, in pipelines and in petrochemicals, already on a rising trend during 1973, should show an accelerating upward tempo from now on.

The upward thrust of consumer spending appears to be easing after providing major growth stimulus during the past three years. At the same time, consumer interest is likely to continue at a high level, based on the anticipation of a continuing rise in disposable income as a result of further gains in both employment and average earnings....

In summary, then, it seems that Canada in 1974 may move into a period in which trends in the key economic sectors are more mixed than they have been for some time. As a consequence, the pace of general economic advance is expected to be somewhat less than the hectic pace of the recent past. Yet the relative position of Canadians among major industrial countries is most favourable given our much superior resource base. □