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CANADA AND THE WORLD ECONOMY

Mr. Paul Martin, the Secretary of State for External Affairs, addressed members of the Vancouver Board of Trade on January 18. The following is a partial text:

...It is hardly necessary to emphasize to you, members of this city's Board of Trade, that the first responsibility for meeting the challenge of economic development in this country rests with private initiative and enterprise. Yet the role of government, and certainly the national Government, is vital if economic growth is to be maintained. Nowhere is this more true than in the field of relations between Canada and other countries.

One of the most striking features of the past few decades has been the extent to which the interests of nations have become interdependent. We have always, of course, been affected by the actions of others. But now the earlier simple and limited relations between states have given way to a complex and pervasive system of interrelationships which any government ignores at its peril.

As populations have expanded, as technology has advanced, as economies have developed and matured, economic activity has spilled more and more across national borders. Here in Canada we are particularly aware of this trend, and of the international corporation which is its most significant symbol. As you know, the international corporation has its headquarters in one country, but typically it operates in many; its capital and personnel are likely to be multinational; it attempts to rationalize production and distribution throughout the area in which it brings the benefits of efficiency, knowledge and progress.

I am glad that Canadians have played a leading part in these developments and that several Canadian companies are prominent in the list of progressive international corporations of this kind.

However, we see another side of this coin, for Canada is also a leading site for the operations of many such foreign-owned companies. Let us make no mistake about it: Canada has always welcomed foreign investment; it has been, and will continue for some time to be, essential to our economic development. The benefits to us are evident, but there are difficulties and dangers of which you will be aware.

ECONOMICS AND LAW

Economic activity must necessarily take place within a framework of law. The natural tendency may be to assume that the law to which a corporation is subject at its headquarters also applies throughout the area of its operations. This can bring the laws and policies of one country into conflict with another. We have seen cases over recent years in which anti-trust regulation, in itself desirable, has encroached across national boundaries. More recently, we have been involved in a profound difference of view as to the national interest in certain cases where attempts have been made to inhibit legitimate trade by foreign subsidiaries in Canada.

A national must retain full control over its economic destiny if it is to survive, prosper and play its proper role in the world. It is for this reason that I have consistently taken the position that extra-territorial application of the law of another country in Canada was inconsistent with our national in-

tegrity and our national status, and was unacceptable to the Canadian Government. This position is, I think, well understood and is now generally accepted.

But the power to determine its economic destiny, which a national must have if it is to realize its full potential, involves more than legal considerations. It involves also the degree of influence which Canadians have in the policy-making councils of the major corporations doing business in this country. For this reason, it is natural and proper for Canadians to be concerned about the increasing amount of foreign ownership in our economy.

You will be aware of what the Government is doing to meet and remedy the situation: to establish a code of good corporate behaviour for foreign subsidiaries here, and to encourage greater Canadian participation in companies which operate in this country. In achieving this second objective, the Canada Development Corporation will have an important role to play.

I look forward to the day when we will no longer be so dependent on foreign capital inflows. I do not think we have yet fully exploited all the possibilities of encouraging a greater flow of domestic savings, nor of so regulating our affairs as to promote greater Canadian ownership.

GUIDING PRINCIPLES

In recent years, there has been a healthy controversy concerning the role of foreign capital in Canadian economic development. There is now emerging a consensus on this much-debated topic, which can perhaps best be stated in four principles:

- (1) We must not discourage or penalize the foreigner who has had the faith and imagination to invest here.
- (2) We must provide the legal and policy framework in which the foreign investor can make the maximum possible contribution to our national welfare.
- (3) We must facilitate efforts by Canadians to devote increasing amounts of their ingenuity and resources to productive investment in this country.
- (4) We must encourage the legitimate and natural aspiration of Canadians to own more of their country's industry, and to exercise greater influence in the making of decisions concerning it.

In considering the question of foreign investment in Canada, we should not lose sight of the fact that Canadians have long been active as investors in other countries. Indeed, in the United States alone, we Canadians have invested more in proportion to our population than the United States has invested in Canada. In other parts of the world — for example the Caribbean — Canada is among the most important sources of foreign investment. We have, therefore, a twofold interest in preserving freedom of capital movement across international frontiers....

LOWER TARIFFS ADVOCATED

No other developed country is so dependent on world markets as Canada. It is only in these world markets that the fullest potential for some of our new and highly specialized products, as well as our traditional exports, can be realized. With this in mind,

the national Government is determined to continue its vigorous and active support for the lowering of world tariff levels and the dismantling of other trade barriers.

The "Kennedy round" of trade negotiations in Geneva is now entering its decisive phase; we are hopeful that it will result in a substantial step forward. With the end of the "Kennedy round", we must be prepared to show imagination in finding ways to liberalize trade still further. We must be prepared to show courage in adapting the Canadian economy to the changes we must expect in the international market place.

We are also very much aware of the potential opening up for Canadian exporters in the Soviet Union and Eastern Europe. During my visit there last fall, I was able to observe at first hand the winds of change which are stirring, and in particular to note the more flexible and decentralized techniques of economic management which are being adopted. Canadians must be alive to the opportunities this will present for more diversified trade, in addition to our present exports of grain and flour. We must be prepared to adapt our normal trading techniques if we are adequately to develop markets for our products in these state-trading countries.

In speaking of the challenge of economic development, I have referred to the vital role which the Federal Government is called on to play in the fields of foreign investment and international trade policy. But economic development within Canada is not in itself sufficient; we must also be concerned with economic development on an international scale.

EXTERNAL AID POLICY

Unless we can, as a nation, dedicate ourselves to translating into reality throughout the world the economic well-being which we consider essential within our frontier, our own prosperity will remain vulnerable. Unless we recognize the principle of redistribution of wealth, which is the basis of Canadian social values, our own social and cultural progress may be imperilled. Unless we place at the disposal of the less-developed countries some of the wealth of human and material resources which we possess, our own security cannot be assured.

It is my personal conviction, which has been strengthened by years of experience in the field of foreign affairs, that aid constitutes one of the best and most constructive instruments we have in our quest for international peace and stability. Self-interest dictates that we should maximize our aid effort and improve the quality of our aid to the greatest possible extent.

It so happens that, as we increase and improve Canadian aid, which is usually provided in the form of Canadian goods and services, we are at the same time making an increasing contribution to agricultural, industrial and technological development in Canada. This is only natural, for aid is a co-operative endeavour, and its success depends on the availability in developed countries of highly qualified human resources, and of a highly developed industrial potential.

TOWARD NWT SELF-GOVERNMENT

The following passages are from a recent statement by Mr. Arthur Laing, the Minister of Indian Affairs and Northern Development, in Yellowknife, Northwest Territories:

I have promised to announce within a month the position of the Government on three matters of particular interest to the Northwest Territories, those being a new Commissioner, the Carrothers Report on the Development of Government in the Northwest Territories and the location of the territorial capital. I will today be making no announcement in respect of the new Commissioner. I expect the appointment to be made very shortly, but a few necessary discussions are not complete.

I can, at this time, indicate in a preliminary way, the attitude of the Government of Canada toward the development of government in the Northwest Territories. It is our intention to see that matters under territorial jurisdiction are put under the authority of the Commissioner and a greatly expanded territorial public service just as rapidly as possible. That means that there will be an almost immediate turn-over of several important functions as soon as the Commissioner and his staff are located in the Territories and that the timetable for the turn-over of these and other functions will be governed not by the willingness of the Federal Government to give up the direct administrative control, which willingness is complete, but rather by the ability of the territorial government to absorb the responsibilities in an orderly way. There are several restraints on this ability. First of all, the administration of programmes requires people. It will require a very significant number of people under the direct control of the Commissioner and many of these people are now resident in Ottawa rather than in the North. I anticipate no difficulty in establishing, almost immediately, a small group of senior advisers to the Commissioner in the North in virtually every area under territorial jurisdiction, but it must be recognized that it will take longer to staff for the entire management of the programmes concerned.

TRANSFER OF STAFF

It is my hope that a great many employees of the Northern Administration Branch presently in Ottawa and in the Territories will accept the offers which they will receive to transfer to the territorial service. The North has been well and loyally served by these people and it is essential that as much of their experience as is possible should be retained. With this end in view, they will be made the most generous offers possible as to conditions of employment in the North. New employees will, of course, be hired direct by the territorial government. In the case of existing federal employees who wish to remain in federal employment, full consultation and consideration will be available.

The second restraint is physical. We are talking about a movement of a number of people, and these things cannot occur without provision for housing, for water and sewage, office buildings and the other

things which are required to live and work in any community.

The third restraint is organizational. I have said before that I would be willing to see some dislocations as the initial price for getting government on the ground in the Northwest Territories. Nevertheless, we cannot have chaos and the transfer of functions can, therefore, be no more rapid than the growth of the capacity of the territorial government to perform those functions reasonably well. This, in turn, will be importantly influenced by the extent to which persons presently in the Northern Administration Branch will agree to bring their experience in the administration of these functions which they are already performing to the territorial government.

I should say that the above does not mean the end of the Northern Administration Branch of my Department. As long as the Minister of Northern Development is responsible to Parliament for the executive government of the North, it is essential that a significant staff of advisers, particularly in the financial field, be retained in Ottawa. It is further to be expected that the turn-over of programmes and duties will be gradual enough that it will not cause serious disorganization in the North, nor impair the Minister's responsibilities to Parliament for Northern development.

FEDERAL SUBSIDIES

In respect of financial matters, I think it may be of some interest to territorial residents to know the degree of subsidization provided by the Federal Government. The most recent figures I have available relate to the fiscal year 1964-65. During that period, total Government expenditures in the Northwest Territories were slightly over \$60 million. Of this amount, the amount expended on provincial-type services was slightly over \$36 million. The costs in respect of Indian and Eskimo peoples were slightly over \$19 million, so if this sum is deducted from the cost of provincial-type services, the net expenditure for services which would normally be the responsibility of the territorial government is almost \$17 million.

The revenues raised in the Northwest Territories by both governments during the same fiscal year amounted to \$7.5 million. Only \$2.2 million of this came from territorial taxation and liquor profits, and even if the natural resource revenues were added to this, the total would only have been \$3.6 million. The actual subsidy to the Northwest Territories administration, therefore, in that year and excluding funds expended on Indians and Eskimos was about \$13 million, which is about 75 per cent of the total expenditure on provincial-type services in the Territories. While more recent figures are not available, it is likely that the degree of federal subsidization has increased in the interim.

It is not yet possible to predict the exact form of government in the Northwest Territories, because decisions have not yet been made on all aspects of

the Carrothers Commission Report. The intentions of the Government, both as to executive action and those matters which require legislation, will be made known in a comprehensive statement which may be expected by the fall of this year. The changes requiring legislation will, of course, be fully discussed in the House of Commons and it is questionable whether any legislation could be passed this year. Accordingly, there is no intention of postponing scheduled territorial elections and the existing Northwest Territories Act will continue to be the governing body of law for the government of the Northwest Territories until Parliament has a chance to consider changes. I should make it clear that the election of a new council does not mean that desirable legislative changes will be held up for the full normal Council turn of three years.

NEW CAPITAL NAMED

I have given a great deal of thought to the advice received in the question of a territorial capital. Among other things, I have considered a report, a resolution, a map and a calendar. The calendar is particularly significant. I consider it important that immediate action be taken to move the seat of the Government of the Territories to the North. If some statement is not made now, because of the time required for planning and the construction of physical facilities, this would be postponed for at least a year, which I believe is not the wish of most of the people of the North. Accordingly, I have decided it is in the public interest to make this decision now and Cabinet has agreed with this position....

All things considered, I have recommended to my colleagues, and they have agreed with the location of the capital at Yellowknife. The Carrothers Commission weighed carefully and honestly the many alternatives. Their recommendation must be given considerable weight. The resolution to which I referred was that of the Territorial Council which, by a substantial overall majority and a very considerable majority of the elected members, endorsed Yellowknife as the capital. Without very compelling reasons, I would not wish to go against this expression of opinion by the Legislative Council of the Northwest Territories. The map of the North that most of you have on your walls indicates that Yellowknife, in respect of a good representation of territorial conditions (being on the tree-line on the edge of the Canadian Shield) and in respect of transportation routes, and in respect of its existing development, and in respect of population factors, and in respect of absolute geographical location, is the best choice that can be made....

RESPONSIBILITY FOR RESOURCES

Finally, I want to say that there is one other major approach in the Carrothers Commission Report which I accept without any qualification, and that is the continued sole responsibility of the Federal Government for Northern resources. These resources are held by the Government of Canada for all of the people of Canada. All Canadians through the Government of Canada and through private enterprise have contributed heavily to the development thus far. They

will do so far more generously in the future (based largely on the investment and taxation of people south of the 60th Parallel) and it is in the interests of Canadians, both in the North and South alike, that Canada as a whole shoulder the costs and share the benefits of the great developments which may be expected.

I look on this occasion as one of the most consequential during my period as Minister. The magnitude and sweep of the changes which may be predicted, though not as yet with any precision, were foreseeable from the day the Carrothers Report was commissioned by this Government, but the actual decisions still come as a strong emotional impact. They are important decisions and perfection in such an area of imponderables is beyond the ability of mortal man. Still, I am confident that the decisions announced today will lead to better Government in the North, and I ask the support of every northerner to the Government of Canada in its continuing functions and to the greatly expanded territorial government in achieving this aim.

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ST. LAWRENCE TIDAL STUDIES

Mr. J.W. Pickersgill, the Minister of Transport, recently announced that his Department, which is already carrying out engineering studies to improve navigation facilities in the St. Lawrence Ship Channel below Montreal, is initiating a co-ordinated programme of tidal-hydraulics investigations in the St. Lawrence River. Besides promoting scientific research of the tidal phenomena, the tidal studies are necessary in the investigation and development of engineering projects that might form part of the Department of Transport's planning for river improvement to meet the growing needs of modern shipping and permit safe, efficient marine traffic.

NRC MODEL

Participating with the DOT in the studies are the National Research Council, the Department of Energy, Mines and Resources and the Department of Public Works. One of the highlights will be an hydraulic model of the St. Lawrence River reproducing to a scale of 1:2000 the reach from Montreal to Father Point, a distance of some 340 miles. The model, which is being constructed by the Mechanical Engineering Division of the National Research Council, in Ottawa, will be completed in 1967. It will simulate the flow in the St. Lawrence River, including tidal action, and allow engineers and scientists to study the phenomena of tidal propagation.

The Department of Energy, Mines and Resources is attacking the problem by computational methods and analyses, using a mathematical model. These studies are already well advanced and will complement those made on the physical hydraulic model. Considerable work is being done in collecting and correlating field data such as water levels, current velocities, tide measurements and river discharges, and related information.

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The whole programme is being co-ordinated through an interdepartmental committee under the chairmanship of the Director of the Marine Hydraulic Branch, Department of Transport.

AID TO UGANDA

The Secretary of State for External Affairs, Mr. Paul Martin, announced recently that Uganda would receive \$50,000-worth of geological drilling equipment under Canada's external aid programme to help search for minerals.

This gift marks the latest stage in a co-operative Canadian-Ugandan effort to discover mineral resources for potential exploitation. Following a visit to Uganda by Dr. C.S. Lord, Chief Geologist of the Geological Survey of Canada, six Canadian geologists explored the region for almost four years. Their reports indicated the strong possibility of valuable deposits of copper, with smaller quantities of cobalt, gold, tungsten and tin.

Clarence Berkhold, of Kirkland Lake, Ontario, was sent to give on-the-spot training in diamond drilling to Ugandans, and two students, K. Basajjabake and A. Jeena, came from Uganda for a year's practical experience with Mr. Berkhold's employers, Heath and Sherwood (Eastern) Drilling, Limited. At a cost of \$26,000, Canada also supplied eight trucks to Uganda's Department of Geological Survey and Mines.

LIFE EXPECTANCY TRENDS

According to a report published by the Dominion Bureau of Statistics entitled *Life Expectancy Trends, 1930-1932 to 1960-1962*, life expectancy at birth for Canadian males rose from 60.00 years in 1930-1932 to 68.35 in 1960-1962, a gain of 8.35 years. The corresponding female gain was 12.07 years, from 62.10 in 1930-1932 to 74.17 in 1960-1962.

The changing pattern of mortality by the main causes of death, and its effect on life expectancy are summarized in the report. During the period under study, reductions in death rates and, hence, improvement in life expectancy have been greatest at the younger ages and have tended to diminish with advancing age. Many diseases have been eliminated as leading causes of death in all or some age groups, and the death toll of most other major diseases has been reduced.

REGIONAL TABLES

Both males and females in Quebec have consistently had the lowest life expectancy at birth during the period under review. Males in the Prairie Provinces showed the highest life expectancy at birth, while the Prairie Provinces and British Columbia showed the highest life expectancy at birth for the females. Generally, all the regional life tables exhibited the same trends as the national tables. Life years lost

by cause of death is dealt with in the DBS report. Life years lost means the total number of years of life lost through the failure of individuals to live an allotted, normal life span. From this point of view, diseases of infancy become the leading cause of death, followed by accidents, poisonings, and violence; diseases of the circulatory system; and cancer, in that order.

Canadian life expectancies, for both sexes and at all ages, compared quite favourably with the other countries represented. Only Sweden, Norway, Iceland, and the Netherlands had consistently higher life expectancies than Canada for both of the sexes.

EXPORT ADVISORY COUNCIL

Canada's first Export Advisory Council will hold its inaugural meeting in Ottawa on February 6.

Mr. Robert H. Winters, Minister of Trade and Commerce, recently tabled in the House of Commons a list of 32 prominent Canadian executives who have agreed to serve on the Council. The membership, which reflects the various sectors of Canada's trading interests, includes senior members of business associations and a university professor.

The Council has been established, Mr. Winters said, "to assist me and the Department of Trade and Commerce in the high priority task of export trade promotion". He said he expected "to draw on the experience of the Council members in a review of programmes of the Department in relation to our export objectives". "I am sure the Council will come forward with new ideas which will be valuable in our work as well as examining what is now being done," Mr. Winters went on. "I expect also the members will give leadership in the national export effort within their respective spheres of business activity."

In announcing the membership of the new Council, Mr. Winters again drew attention to the importance of achieving the Government's previously announced centennial export target of \$11.25 billion for centennial year.

CANADA AND THE WORLD ECONOMY

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Nevertheless, the immediate effect which aid has on our economic well-being is but a marginal, if important, aspect of the question. As the Minister responsible for external aid, I am proud of the fact - verified every day from the large number of verbal and written testimonies I receive - that it is humanitarian motives and an ingrained sense of social justice which are at the root of the widespread support which Canadians in all walks of life give to the national aid effort.

Because the task of international development is so desperately urgent, and the consequences of failure so potentially dangerous for us all, it is a matter of grave concern that the collective aid effort of the developed countries has tended to stagnate in recent years.

The developed countries, including Canada, must not allow their efforts to lag; they must devote their energies to mobilizing greater resources and putting them to effective use for the benefit of developing countries.

Canada has endeavoured to set an example in this field. In recent years, the Canadian aid programme has increased considerably, and now stands at over \$300 million annually. It is the Government's intention, subject to economic circumstances, to continue expanding the aid programme to a point where, by 1970-1971, it will equal one per cent of the gross national product....

SELF-SUPPORT THROUGH TRADE

The immense task of galvanizing national energies towards the objective of establishing an international society of the kind which we are dedicated to create in this country, is one that cannot be accomplished through aid alone, and I would not suggest for a moment that economic assistance by itself can hope to provide answers to the problems of continued underdevelopment. Our ultimate objective must be to provide developing countries with the means to support themselves, and, in particular, to procure through the normal channels of trade the goods and services required for their development.

The inadequate growth of trade in the poorer countries led, in 1964, to a world conference on trade and development, and subsequently to the establishment on a permanent basis of the United Nations Conference on Trade and Development. Discussions in this forum have already yielded a much better understanding of the nature and magnitude of the problem which must be resolved to permit more rapid economic development of the poorer countries.

Clearly, one of the most urgent tasks is to stabilize and improve the earnings of developing countries from the export of basic commodities, which for many of them account for a large portion of their total earnings from trade. In recent years, lower prices for some of these commodities have often offset the foreign-exchange benefits of foreign aid. Vigorous efforts are now being made to achieve international commodity agreements in sugar and in cocoa. Developed countries, which are often the

main consuming areas, have been called on to play their full part, and must be prepared to adapt their policies and make certain sacrifices. The benefits to the developing countries would be immense, and in the longer run we would all stand to gain.

The developed countries must also be prepared to open up their markets to a much wider extent than we have done in the past to the products of newly-established industries in developing countries. You are all familiar with the problem of preventing low-cost imports from disrupting our markets. We in Canada have a good record in working out co-operative arrangements with low-cost producers, and have provided a growing and substantial market for their products.

If all developed countries were more generous in their treatment of these low-cost imports, the burden on individual importing countries would be very slight when compared with the benefits for developing countries. The trading opportunities of all countries, both developed and underdeveloped, would be greatly increased.

NON-MATERIAL BENEFITS

I would like, for a minute, to speak about the rewards and benefits of a non-material nature which Canadians derive from their participation in the wider world economy. What I have in mind are the personal experiences which we may have, as individuals, and which can enrich our lives enormously.

There is the Canadian businessman, searching out new markets for Canadian products in a distant land where Western visitors have until recently been rare; there is the Canadian technical adviser, learning to work and live with people in a developing country who want to benefit from his knowledge and experience: in these and in other cases, individual Canadians are learning at first hand of the difficulties and frustrations, but also of the satisfactions, that come with a direct involvement in the interdependent world community in which we all live....

Canadians have accomplished much in the first 100 years of confederation. Let us not now become overly preoccupied with our problems here at home; let us rather accept, gladly, the responsibilities and challenges which arise from Canada's role as one of the world's major trading nations, and one of the world's wealthiest and most dynamic countries. Let us see ourselves as others see us in this international perspective. Let us remember that Canada, prosperous and outward-looking, not depressed and self-absorbed, is the abiding Canada, the Canada whose centennial we honour this year....

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