



CANADA

# CANADIAN WEEKLY BULLETIN

INFORMATION DIVISION • DEPARTMENT OF EXTERNAL AFFAIRS • OTTAWA, CANADA

Vol. 19 No. 39

September 23, 1964

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## NEW ECONOMIC HORIZONS FOR CANADA

In a speech to the Stratford Chamber of Commerce on September 14, the Minister of Trade and Commerce, Mr. Mitchell Sharp, expressed doubt whether, though some persons might wish "for a return of the good old days", Canadians as a whole "would exchange the economic opportunities of today for the economic frustrations of those pre-war years". "Let me then suggest for your consideration," he went on, "how best we can take advantage of the opportunities presented to us as a nation". His prescription follows in part:

...First, I suggest that it is in our interests to support strongly the international efforts towards freer trade. This means support for the so-called "Kennedy round" of trade and tariff negotiations. These negotiations, if successful, could result in the most wide-ranging advances so far made in the freeing of trade on a global scale. They are to concern all classes of products, including agriculture, and will deal with non-tariff as well as tariff barriers. The major industrial nations, in particular the United States, the European Economic Community and Britain, have agreed that, with certain exceptions, the negotiations should be conducted on the basis of across-the-board tariff cuts rather than on a selective commodity-by-commodity basis as in previous negotiations.

This is a major undertaking of a kind and dimension that has not previously been attempted. No quick and easy solutions can be expected but, if the negotiations are successful, they will be of historic significance as a major step forward in shaping tomorrow's trading world.

For Canada, the success of the "Kennedy round" is of significant importance. Better access to the U.S.

and other markets could, in many cases, provide the necessary incentives for longer production runs and increased specialization which are so necessary to many of our secondary industries. Improved access might also open up possibilities for the development of new products and new export markets.

### A POLICY NOT SUITED TO CANADA

At the ministerial meeting of the GATT held a year ago, it was formally agreed that a formula of tariff reductions based on equal linear cuts would not be appropriate in Canada's case. It was pointed out at the meeting that, for a country like Canada, with its limited domestic market, its patterns of production and trade, and its relatively small range of exports, it would be difficult to find a single formula which could achieve the necessary balance of advantages.

A programme of linear tariff cuts would provide much less in terms of sales opportunities in world markets for basic industrial materials than for manufactured goods. Manufactured products at present make up two-thirds of Canada's imports but only about one-sixth of our exports. Consequently, an acceptance of a linear approach by Canada would provide much more scope for the expansion of sales of manufactured products in Canada than for the sale of Canadian products abroad.

### A DIFFERENT KIND OF CONTRIBUTION

This was recognized at the ministerial meeting, and it was agreed that participation by countries such as Canada could be on a different basis ensuring reciprocity of benefits. Our contribution will thus take a different form and one carefully adapted

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to the particular circumstances of our economic and trade structure. We have made it clear to our trading partners that Canada is an active and full participant in these negotiations and that we propose to give full value in return for all concessions received. Our objective is to obtain improved access to foreign markets so as to benefit all sectors of the Canadian economy and therefore to encourage economic growth. We shall be bargaining hard but not reluctantly.

...The "Kennedy round" is concerned mainly with the reduction of trade barriers between the countries of the free world. The time is also ripe, it seems to me, for seeking means of facilitating trade in peaceful goods between Communist countries and countries of the free world.

#### EAST-WEST TRADE RELATIONS

My second suggestion, therefore, is that Canada should be working for better trade relations between East and West. We are already large exporters of grain not only behind the Iron Curtain but also behind the Bamboo Curtain in Communist China. During the crop year just ended, the Soviet Union was in fact Canada's largest wheat market. We also have most-favoured-nation treaties with all the Communist countries we recognize except Roumania and Albania.

I do not underestimate the difficulties and problems of working out better trading relations between Communist countries and market economies like our own but I believe that it is in the political as well as the economic interest of the free world to make a serious effort in that direction.

#### AID TO DEVELOPING COUNTRIES

My third suggestion is that Canada should be active in its support of the developing countries of the world, both by aid and by trade.

During the last decade, many new nations have come into existence. Few things are of greater long-term importance than the ferment of change that is at work in Asia, Africa and Latin America. In those vast areas, nations both ancient and new are conscious of their potential and determined to see it fulfilled. The development of their economies depends not only on foreign aid and investment but, even more, on the expansion of world markets and the freeing of channels of trade, both for their primary commodities and for the products of their newly-established industries.

This year Canada is stepping up its external aid — by about 50 per cent. I believe that the quality of our aid is also improving as we and the recipient countries gain experience. Personally, I hope that we shall do even better in the future in both quantity and quality of our aid to the under-developed world. It is our responsibility as well as our privilege to do what we can to reduce the growing gap in living standards between them and us.

#### FAIR CHANCE FOR NEW COUNTRIES

In respect of trade, too, we have our responsibilities towards the developing countries. I believe that our chief responsibility and the chief responsibility of other industrialized countries like ourselves is not to give developing countries a trade preference, as has been suggested at the recent United Nations Conference, but to give them a fair break in our

markets so that they can dispose of the products our assistance is helping them to produce. To do otherwise doesn't make sense.

And my final suggestion...is that, if we are to take advantage of the increasing opportunities presented to us as a nation, we must constantly strive to improve our productive capacity on a competitive basis.

At one time we considered ourselves essentially as exporters of staple commodities, and seven products — wheat, newsprint, lumber, woodpulp, nickel, aluminum and iron ore — still account for almost 50 per cent of our merchandise exports.

And yet, in recent years, I am happy to say, we have made considerable progress in broadening this traditional range by developing export orders for increasing quantities of manufactured goods, including such sophisticated and complex manufactures as electronic equipment, transport aircraft and nuclear-power stations. It is in this direction that we must continue to move. And the experience of our manufacturers in the markets of the world to date is evidence that we can still do much better than we have yet done.

#### BALANCE-OF-PAYMENTS PROBLEM

Our trade has been growing at a quite remarkable rate, the proportion of our manufactured exports has been steadily rising, and our markets have been broadening. Yet there still remains a serious problem. In recent years Canada has experienced chronic balance-of-payment difficulties. This problem has arisen from an imbalance in our current account — a failure to earn enough abroad to meet our current spending and debt-servicing obligations. The shortfall has been, over the past decade, about a billion dollars a year.

Last year, I am pleased to say, our current-account deficit was reduced considerably — to a level of slightly over half a billion dollars, compared to \$848 million in 1962. The principal reason for this achievement was the sharp rise in merchandise exports, which reached an all-time peak of \$7 billion last year, ten percent higher than in 1962.

Export gains were widespread over many commodity areas. Exports of most of our major industrial materials, as well as agricultural and primary products, continued to expand — in particular, lumber, woodpulp, iron ore, aluminum, and, of course, wheat. Primary products such as these have always bulked large in Canada's external trade, and even now primary and processed resource products account for five-sixths of our exports.

#### CONTRIBUTION OF MANUFACTURERS

What was particularly encouraging to my Department, however, was the performance of our manufacturers in contributing to our export earnings. Manufactured exports have always been a vital part of Canada's foreign trade, although at times they have made up less than ten per cent of total exports. In recent years, however, our manufacturing industries have become much more export conscious and manufactured exports have increased significantly. Last year they rose by 16 per cent and embraced a wide range of products such as industrial machinery, electronic

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## STRATFORD STUDENT MATINEES

During the final three weeks of the Stratford Shakespearean Festival, the most inquisitive, alert and uninhibited of audiences are converging on the Festival Theatre. Climaxing the highly successful twelfth season, which comes to a close on October 3, these final weeks will once again be devoted largely to youth. Forty thousand high-school pupils will travel to Stratford by bus, train and private car to see 18 special performances of "King Lear" and "Richard II".

For many, this will be their first contact with live theatre. Coming from all parts of Ontario and Quebec, and from points in Michigan, Ohio and New York, the youngsters will see the plays at prices considerably below the normal box-office level.

The special matinees were introduced into the Festival's programme in 1958. The overwhelming response is evident in the increased attendance - from 12,000 the first year to some 30,000 last season - and the demand for more performances. Over the past six seasons, "Henry IV, Part One", "As You Like It", "Romeo and Juliet", "Henry VIII", "Macbeth", "The Tempest", "Troilus and Cressida", "The Comedy of Errors" and Rostand's "Cyrano de Bergerac" have been presented in the student matinee plan.

### A WEEK ADDED

This year, the Festival has extended its season by one week, to 16, to allow for three weeks of student performances instead of the usual two. The plays will alternate during this period. "King Lear" was directed by Michael Langham, with John Colicos in the title role. Its principal

players also include Frances Hyland, Diana Maddox, Martha Henry, Douglas Rain, Bruno Gerussi, Mervyn Blake and Hugh Webster.

"Richard II" was directed by Stuart Burge. William Hutt has the title role, with Leo Ciceri as the usurper, Henry Bolingbroke. Others in the cast include Eric House, Tony van Bridge, Patrick Boxill, Amelia Hall and Jackie Burroughs.

Of the total number of students expected during the next three weeks, 10,365 will represent the Toronto area, while 1,274 will attend from Kitchener-Waterloo and 2,484 from Hamilton and Burlington. Another 2,113 will arrive from Michigan and 2,798 from New York State. Other cities represented include London, Windsor, Sarnia, Belleville, Peterborough, Montreal and Niagra Falls, Ontario. Fifty-two students from the Ontario School for the Blind in Brantford will attend a performance of "King Lear" on September 14. For the September 26 performance of "Richard II", 41 students will travel to Stratford from Edgewood High School in Pittsburg, Pa.

The highlight of the students' visit is the informal question-answer period at the conclusion of each performance. A leading member of the cast, stepping out of character, will comment on the play, explain some of the unusual aspects of the theatre itself and then answer questions from the student audience.

Many of the student groups have financed their own trips to Stratford. To those coming from long distances this often means hard work and sacrifice. One school ordered 25 tickets this season for its honour students. The teachers were a little confused when the results showed there were 26 honour students and that an extra ticket had to be procured.

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### NEW FAMILY AIR RATES

On October 25, Air Canada will introduce economy class family fares on its North American routes, thus providing new low-cost air-travel opportunities to families travelling together for business or pleasure. The head of the family (husband or wife) will pay the normal economy fare, while all other members 12 years of age and over will pay only 75 per cent of the regular fare. Children between the ages of two and 11 will travel at half the normal fare, and infants accompanied by an adult member of the family will be carried free.

The new family fares will apply without restriction the year around, every day of the week, on all Air Canada's North American routes.

Families will be able to travel on the airline's DC-8 jets and turbo-prop Vickers "Vanguards" and "Viscounts" to more than 40 communities across Canada, and to six major United States centres at the new low rates.

The new fares will provide an unequalled opportunity for more families to take to the air for holidays or to visit relatives. They will also enable

wives to accompany their husbands on business trips or to attend meetings and conventions at the lowest possible cost.

### SPECIAL FEATURES

Air Canada provides many special features for family travel, including boarding assistance for mothers with infants, "skycots" for babies on DC-8 jet aircraft, a choice of baby foods and baby comfort supplies, reading material for the whole family, special complimentary meals for children, and, of course, complimentary meals for adults.

Typical of the new roundtrip economy-class family fares to be introduced on October are:

Between Vancouver and Winnipeg or Montreal and Winnipeg - \$220.50, a saving of \$31.50; Toronto and New York - \$98, a saving of \$14; Toronto and Halifax - \$168, a saving of \$24; Toronto and Vancouver - \$381.50, a saving of \$54.50; Montreal and Vancouver - \$420, a saving of \$60; Montreal and New York - \$87.50, a saving of \$12.50.

The 25 percent reduction in fares for family members travelling together will also apply to first-class accommodation on all Air Canada's North American services.



### NEW ECONOMIC HORIZONS FOR CANADA

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equipment and a variety of consumer goods. This is a favourable portent, indeed, and I hope that 1964 and future years will see even more of our manufactures finding greater market acceptance and market success throughout the world.

The two main factors which led to the significant increase in exports in 1963 were rising economic activity in the United States and in other major markets, such as Britain and Japan, and the improvement in the competitive position of Canadian industry.

### INCREASED DOMESTIC CONSUMPTION

Our trade balance also improved because more Canadian consumption was met from Canadian production. Consequently, imports rose much less than exports in 1963 and represented a smaller proportion of the growth in the national expenditure than had been the case in similar stages of earlier periods of expansion. The devaluation of the Canadian dollar continued to be a positive factor, and rising production costs in other countries, relative to our own, were a further help in strengthening Canada's competitive position. The net result of these export and import trends was a tripling in Canada's merchandise-trade surplus from \$155 million in 1962 to \$484 million in 1963.

Canada's exports are still going up. The percentage rise in the first seven months of 1964 was 23 per cent. Larger shipments of wheat accounted for much, but by no means all, of this substantial increase.

But imports also are rising sharply. The balance-of-payments deficit went up in the first quarter, not down. While this first-quarter deficit appears to have been enlarged by certain non-recurring factors, we are witnessing something we can never afford to ignore, namely, the propensity, inherent in Canada's economic structure, to import in periods of mounting prosperity. Consequently, this recent adverse shift in the external-payments position should serve to emphasize the tremendous importance of getting ahead with programmes directed toward the basic strengthening of the competitive position of Canadian industries and the further filling-out on an efficient basis of our industrial structure.

### NEW KINDS OF PRODUCTION

To do this, we must develop new areas of economic production, particularly in secondary manufacturing, where the greatest potential for increased trade exists. We can hardly hope to expand production and trade in resource productions at a rate sufficient to solve our own growth problems, let alone improve our position in international trade. The dynamic markets in the world today are in the area of manufactured products, not food and industrial materials. These are the markets we must tap if we are to continue a healthy rate of trade expansion and development and overcome the trade imbalances that concern us....

### NO EXTENSION OF WELLAND USE

The St. Lawrence Seaway Authority said recently that no consideration could be given to extending the operation of the Welland Canal past the formal closing date of December 15. The expansion programme now under way, designed to relieve congestion and speed up transit through the Canal, requires a heavy work schedule for the three and a half months from December 15 to March 31, 1965. The fact that this programme has been established and that contractors will be on site as of December 15 means that any delay past this date could involve the Authority in substantial claims for extra costs. Further, there is no time margin available for the construction work to be done, and any concessions to shipping in December could only result in a delayed opening in the spring of 1965.

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### TO ATTEND FORESTRY CONFERENCE

Dr. D.R. Redmond, Director of Forest Research for the federal Department of Forestry, left Ottawa recently for Turkey, to attend the 1964 meeting of the Permanent Committee of the International Union of Forest Research Organizations.

The meeting, which opened in Istanbul on September 17, is being followed by field investigations out of Istanbul and Ankara that will end on September 26. Topics of this year's meeting are the development of a bibliography of forestry terms, a review of developments in tree improvement and research in the reforestation of abandoned lands, and research in forest yield.

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### STATUS OF FORCES IN BERMUDA

The Secretary of State for External Affairs, Mr. Paul Martin, recently announced that an exchange of notes that took place in London on September 17 between the Canadian and British Governments constituted an agreement regarding the status of Canadian forces in Bermuda. The agreement was made necessary by the stationing in Bermuda of Royal Canadian Navy personnel to operate a naval radio station and by the more extensive use being made of Bermuda as an operating base by RCN ships. The agreement provides for establishment of the radio station and regulates such matters as jurisdictional authority, claims, immunities and other related problems connected with the presence in Bermuda of Canadian armed-forces personnel on official duty. These arrangements have been made with the full agreement of the Bermuda Government.

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