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WEEK'S EVENTS IN REVIEW

CANADA - U.S. EXERCISE: Canadian and United States troops will conduct a joint winter training exercise in the Yukon and Alaska next January and February.

The Minister of National Defence, Mr. Claxton, said on September 1 that the exercise, designated "Cross-Index" for planning and operational purposes, will be local in nature and on a comparatively small scale. It will be a continuation of the combined training program carried out by both countries during the past few years.

Present plans call for the United States Army and Air Force to join the Canadian Army and the Royal Canadian Air Force in peacetime simulated combat culminating in movements against a theoretical enemy.

The Canadian Army and the United States Army will each provide a one-battalion combat team including infantry -- some of which will be employed in a parachute role -- artillery, engineers, signals and other supporting arms and services.

The Royal Canadian Air Force and the United States Air Force will combine to provide fighter cover, ground attack forces, and bomber, reconnaissance and transport aircraft. In addition to existing communications, mobile RCAF and USAF signals equipment will be used. Mobile air force radar and control centres will also be employed.

The exercise will take place in the Whitehorse area.

The United States will name the overall commander of the exercise and will provide the allied forces commander and the allied army

commander. Canada will provide the allied air force commander.

Canadian Army Engineers are already in the Whitehorse area and are now being joined by advance detachments of U.S. Army Engineers and service troops who will prepare facilities for the combat elements. The latter are not expected to move northward until January after preparatory training at camps in their respective countries.

The majority of troops of both countries will be flown from concentration areas to the exercise areas and the remainder will travel over the Alaska Highway, involving in some cases a total one-way travel distance of more than 3,000 miles.

"The objectives of the exercise," Mr. Claxton said, "are to develop procedures, doctrine and techniques for the employment of combined Canada-United States army and air forces, operating in the far north."

TECHNICAL CONFERENCE IN U.K.: The Department of External Affairs announced on August 31 that Dr. W.B. Lewis will represent Canada at a meeting in the United Kingdom from September 5 to 10 to discuss, with technical experts from the United States and the United Kingdom, reactor safeguards and related subjects. The conference will be held under the general programme of technical co-operation on specified subjects agreed between Canada, the United States, and the United Kingdom.

Dr. Lewis is Research Director of the Atomic Energy project at Chalk River, Ontario.

(C.W.B. September 2, 1949)

100 JET AIRCRAFT: Completion of negotiations for the manufacture in Canada of the F-86 jet fighter aircraft was announced in Ottawa on August 25 by the Minister of National Defence, Mr. Claxton. The aircraft will be manufactured in Montreal by Canadair Limited. The initial order for the RCAF consists of 100 aircraft, the first of which is expected for delivery by August 1950.

The F-86, a single seater interceptor aircraft, is at present being introduced into use by the United States Air Force. Powered by a General Electric axial flow jet type engine, the F-86 carries an armament of six .50 calibre guns in its nose, has a tactical radius of 500 miles, a service ceiling of over 40,000 feet and is the holder of the official world speed record of 670.9 miles per hour, fully armed as a combat aircraft.

The aircraft was released for manufacture in Canada by the United States Government and a licence agreement was concluded with North American Aviation, Los Angeles, California. This agreement permits Canadian modification or improvement of the aircraft.

CONTRACT PRICE

The contract price for 100 aircraft with Canadair Limited of Montreal is \$30,211,190. This includes manufacture of the airframe, airframe spares, jigs, tools, dies, sales tax, publication, ground handling equipment, royalties, and other items. The contract price does not include engines, radio, armament and other special equipment to be provided from other sources. A breakdown is as follows: airframes (100), \$19,029,900; airframe spare parts, \$1,902,990; Production and machine tools, \$8,178,000; royalties, \$625,000; publications and ground handling equipment, \$475,300. Costs quoted for the first 100 aircraft include many initial expenses connected with tooling up. Additional orders, if placed, would result in a lower unit cost.

The signing of the contract for the F-86 by the officials of the Canadian Commercial Corporation, the government agency responsible for awarding of government supply contracts, and Canadair Limited, climaxes many months of planning and negotiations. This contract for F-86s and the one recently signed for the production of the latest anti-submarine vessels for the Royal Canadian Navy reflects the Government's intention to equip the armed forces with the best equipment and to maintain in peacetime the aircraft and shipbuilding industries which are so vital to our security.

NAVAL APPOINTMENT: Commander Dudley G. King, R.C.N., of Victoria, has been appointed Chief of Staff to the Flag Officer Pacific Coast. Naval Headquarters has announced. He recently completed a course at the National Defence College, Kingston.

CANADIAN AIRLINES: The four scheduled Canadian airlines carried a record 716,800 revenue passengers during 1948, an increase of 136,700 or 23 per cent over the 582,100 passengers transported in the preceding year, according to preliminary figures issued by the Bureau of Statistics. Revenue passenger load factor improved from 61 to 65 per cent.

Traffic carried by the other Canadian carriers improved considerably over 1947 with 163,600 revenue passengers against 11,500 one year earlier, up nearly 47 per cent. On international routes, Canadian carriers reported 136,400 revenue passengers compared with 122,000 in 1947 to claim a larger share of this traffic. Foreign (United States) lines had 181,700 paying passengers, down from 200,000 in the similar period of 1947.

The gain in the number of air travellers during 1948 contrasts with a decline in railway passenger traffic from 1947 of seven per cent.

RCAF APPOINTMENTS: Four senior Air Force officers have been transferred to new appointments in a recent shift of staff officers announced by Air Force Headquarters, Ottawa. They are Group Captain G.E. McCormick, OBE, 37, of Ottawa, who moves from Air Force Headquarters to Air Materiel Command as Senior Supply Officer; W/C R.J. Lane, DSO, DFC, 29, of Victoria, B.C. who has been appointed Senior Personnel Staff Officer at Air Transport Command Headquarters; Wing Commander W.P. Pleasance, DFC, 40, of Calgary former Senior Air Staff Officer of Air Transport Command has been appointed RCAF liaison officer at the headquarters of the International Civil Aviation Organization; and W/C A.H. Hill, 37, of Winnipeg, has been transferred from Britain to the Signals Division of Air Force Headquarters.

LAVERENDRYE MONUMENT: The historic voyage of the explorer Sieur de LaVerendrye, first white man to cross the western plains in search of the "Western Sea", will be commemorated by the erection of a boulder and bronze tablet at the intersection of the Windygate Road and Highway No. 3 near Morden, Manitoba.

The tablet is being erected by the National Parks Service of the Department of Mines and Resources on the recommendation of the Historic Sites and Monuments Board of Canada.

LaVerendrye started out from Fort Michilimackinac on the Great Lakes in July, 1738. He reached a point on the Assiniboine river where he established Fort LaReine. On October 18 of the same year he set out across the Morden region on the way to the country of the Mandans. This branch of North American Indians lived on the plains in the vicinity of the Missouri river and the explorer hoped that by

following this river he would eventually reach the western sea.

The monument will be unveiled with appropriate ceremony on Labour Day, September 5, under the auspices of the Pembina Hills Historical Society. The Reverend Antoine d'Eschambault, Manitoba Member of the Historic Sites and Monuments Board, will represent the Department of Mines and Resources and the Board at the ceremony.

ARMY SUMMER TRAINING: August 26 marked the "cease fire" for summer training in the Petawawa Canadian Army base.

This year, over 4,000 Reserve Force officers and men passed through the intricate and efficient training mill operated by Central

CANADA'S FOREIGN TRADE PICTURE

JUNE FAVOURABLE BALANCE: Canada had a favourable balance of trade of \$6,900,000 in June. This was larger than the average monthly rate during the first half year and was greater than in June last year. The export balance in June resulted from domestic exports of \$255,100,000 and foreign exports valued at \$2,300,000. The total of domestic exports was well above June 1948 when the value was \$233,500,000, but was down from the May figure of \$272,900,000. Merchandise imports in the month were valued at \$250,500,000, unchanged from the high level of May but \$17,500,000 above June last year.

In the first half of 1949 Canada had a surplus from merchandise trade of \$29,100,000. This compares with \$148,800,000 in the first half of last year and \$324,300,000 in the second half of 1948 when there was an unusual concentration of exports. A substantial increase in the value of imports by Canada which was considerably larger than the small increase in Canadian exports, gave rise to this result. Canadian prosperity and improving supplies abroad contributed to this change.

The volume of many imports was greater than in the corresponding period last year and import prices were generally as high or higher. At the same time there was a reduction in the volume of many exports but most export prices in the first half of this year continued to be higher than in the same period last year although some were lower than recent peaks. Reduced demands abroad and seasonal and other factors affecting certain kinds of production led to the lower volume of exports.

Most of the reduced balance of exports in 1949 arises from an increase in Canada's commodity deficit with the United States. This deficit amounted to \$308,300,000 in the first six months of this year compared with \$228,200,000 in the same period last year. A rise

Command, and, while the number fell slightly short of advance expectations, Maj.-Gen. Chris Vokes and his staff are well satisfied with the results.

"It has been quite apparent," Gen. Vokes said, "that the standard of training carried out by the Reserve Force units in their own locales is very good. The troops have displayed a great deal of enthusiasm and keenness -- always a healthy sign."

"I have been pleased, too, with the good type of soldier in the Reserve Force, especially among the younger lads."

Commenting on the two brief exercises for armoured and infantry divisions, the second of which finished August 26 and heralded the end of the summer camp, Gen. Vokes said both were "extremely valuable and enlightening."

in imports from the United States of about 14 per cent was the reason for this as exports to the United States only rose at about half this rate.

In contrast to this reduction in the disequilibrium between Canada and the United Kingdom there has been an increase in the balance of exports to other Commonwealth countries.

MERCHANDISE IMPORTS: The value of Canada's merchandise imports in June continued at the high level reached in May, according to the Bureau of Statistics. The total of \$250,500,000 in both months was higher than in any month last year and has only been exceeded in value by imports in October, 1947. The comparable total in June last, one of the highest months of the year, was \$233,000,000.

The June figure raised the cumulative total for the first half of this year to \$1,409,400,000 from \$1,270,100,000 in the similar period last year. The advance over June last year was 7.5 per cent, down from the average of 11.7 per cent in the preceding five months. The over-all increase in the first six months of this year was 11 per cent.

The advance in the month and half year was due for the most part to increased purchases from the United States. June imports from that country totalled \$176,855,000 compared with \$154,918,000, and in the half year, \$1,008,786,000 compared with \$884,468,000. The United States share of total Canadian imports rose from 66.5 per cent in June last year to 70.6 per cent this year, and in the first half year from 69.6 per cent to 71.5 per cent.

Purchases from the United Kingdom in June were valued at \$26,955,000, up about \$1,000,000 over June last year. The aggregate for the first six months of this year was \$163,209,000 as compared with \$139,130,000 in the like period of last year.

(C.W.B. September 2, 1949)

WHOLESALE PRICES: Reversing the gradual downward movement shown since the beginning of the year, the general wholesale price index showed a slight advance in July, according to the Bureau of Statistics. The July index stood three-tenths of a point above the June level, and was 4.4 points higher than a year earlier.

The index for July this year, on the base 1926=100, stood at 156.6 as compared with 156.3 in the preceding month and 152.2 a year ago. As compared with June, decreases occurred in five of the eight sub-group indexes, the exceptions being vegetable products, non-ferrous metals, and non-metallic minerals.

RETAIL TRADE UP: The value of retail trade continued steadily upward in June when sales reached \$679,000,000, exceeding June, 1948 volume of \$635,000,000 by seven per cent, according to the Bureau of Statistics. The June change was approximately the same as the average rate of increase in earlier months of the year. Sales in the first six months of this year advanced seven per cent, totalling \$3,550,000,000 compared with \$3,306,000,000 in the same period of 1948.

A considerable portion of the June increase was accounted for by a 19 per cent rise in sales of motor vehicle dealers which reached \$82,000,000 in June as against \$69,000,000 in June last year. Of the other trades, most reported moderate sales increases, the largest being a nine per cent gain for food stores. Sales of fuel dealers were down five per cent, and decreases of less than one per cent occurred in the case of country general, hardware and furniture stores.

LIFT LUMBER EXPORT QUOTAS: Effective on September 6, the regulation of lumber exports through quotas will be discontinued, the Minister of Trade and Commerce, Mr. Howe, announced on August 29.

Notice of the relaxation, which applies also to such items as flooring, millwork, window sash, and doors, has been sent to some 8,000 companies in the industry throughout Canada. The notice was mailed from the Timber Control offices in Ottawa, Saint John, Edmonton, and Vancouver.

As a precautionary measure to assure adequate supplies of lumber and lumber products for Canadian requirements, permits will still be required for export of the items formerly on the quota list.

Mr. Howe stated that the removal of export quotas reflects the satisfactory supply situation existing today. It is the first major change in lumber export policy since the end of the war.

"During the long period of quota controls, the Government has received truly splendid co-operation from the entire lumber industry and from its various associations," said Mr. Howe. "We are assured that this co-operation

will continue and that the industry will keep on supplying all Canadian requirements for housing and other purposes."

The government policy on lumber allocations and exports has been administered by Timber Control since its establishment in 1940 with H.R. MacMillan, of Vancouver, as the first Timber Controller. The present Timber Controller is G.H. Rochester.

TRAVEL DOLLARS IN SWITZERLAND: Canadians may, in future, obtain permits through their banks for the expenditure of reasonable amounts in Canadian dollars for travel in Switzerland, the Minister of Finance, Mr. Abbott, announced on August 30.

So far as Canadian travellers are concerned, Switzerland is, therefore, now placed in a similar position to countries in the sterling area, France, Belgium, Luxembourg, the Netherlands, Norway and Sweden.

Heretofore it has been necessary for Canadian travel expenditures in Switzerland to be made in U.S. dollars. They were, therefore, limited by the travel ration of \$150 U.S. covering the period from November 16, 1948 to November 15, 1949. In future, travel expenditures in Switzerland will be authorized only in the form of Canadian dollar travellers' cheques but for larger amounts. Funds so obtained will not count against the dollar ration for subsequent U.S. travel.

This relaxation in travel regulations follows upon the conclusion of arrangements with the Swiss authorities whereby Canadian dollars spent by Canadians in Switzerland for travel purposes will be earmarked for purchases in Canada. The arrangements also provide that Canadian dollar travellers' cheques authorized by the Foreign Exchange Control Board for negotiation in Switzerland for travel purposes will be convertible into Swiss francs at the same rate as cheques payable in U.S. dollars, at present approximately 4.28 francs per dollar.

In all other respects Switzerland remains a United States dollar area country so far as Canadian exchange control regulations are concerned and trade will continue to be carried on a U.S. dollar basis.

ST. JOHN'S SALUTING BASE: Guns now will boom at St. John's, Newfoundland, whenever artillery salutes are fired at Army saluting bases across the country to mark ceremonial occasions or special anniversaries.

The city becomes the Army's twelfth such bases. It rates a saluting bases, authorities said, because it now is a provincial capital.

Salutes are fired at traditional bases at all provincial capitals, at Ottawa and Vancouver, to mark anniversaries or special occasions set by Proclamation. Authority for firing the salutes on such dates comes from Army Headquarters.

BELGIAN AIR AGREEMENT: The Secretary of State for External Affairs, Mr. Pearson, announced on August 30 that a new bilateral agreement for air services between Canada and Belgium was signed at 4 p.m. on that day, in Ottawa, by the Minister of Transport, Mr. Chevrier, and Vicomte du Parc, the Belgian Ambassador.

Similar in form to other bilateral air agreements previously concluded by Canada with other European states, this agreement provides for a direct carriage of passengers and cargo between the two countries. A Canadian airline is granted the right to pick up and put down at Brussels passengers for and from Canada. Similarly a Belgian airline may pick up and put down at Gander passengers for and from Belgium.

VISITORS SPEND \$283,000,000: Expenditures in Canada by travellers from other countries in 1948 rose to a new high figure of \$283,000,000, showing an increase of 12.7 per cent over the preceding year's total of \$251,000,000, according to the Bureau of Statistics. This gain was accompanied by a substantial decrease in expenditures of Canadian travellers in other countries, which dropped to \$134,000,000 from \$167,000,000 in 1947. As a result, net receipts were \$149,000,000 compared with the previous high of \$90,000,000 in 1929 and a low of \$45,000,000 in 1933.

In travel between Canada and the United States total receipts were \$270,000,000 -- a new peak -- up 12 per cent over the previous high of \$241,000,000 in 1947, while debits resulting from Canadian travel in the United States dropped to \$113,000,000 from the peak of \$152,000,000 in 1947. The resulting net credits were \$157,000,000, a gain of 52 per cent over the previous record of \$103,000,000 which had held since 1929. As a source of United States dollars, international travel has in recent years ranked second only to the export of newsprint.

NET TRAVEL CREDITS

Net credits in travel between Canada and the United States increased each year from the wartime low of \$53,000,000 in 1943. Between 1943 and 1947 the increase in net credits resulted from expansion in United States travel in Canada accompanied by expansion in Canadian travel in the United States. Very substantial increases in credits were accompanied by increases almost as large in debits. Consequently net credits showed only a minor improvement, standing at \$60,000,000 in 1944, \$82,000,000 in 1945, \$86,000,000 in 1946 and \$89,000,000 in 1947. In 1948, however, receipts

from United States travellers continued to increase at about the same rate as in the previous year, while debits were cut by the Emergency Exchange Conservation program which limited United States dollar expenditures on travel and banned imports of most types of merchandise which Canadian travellers have been in the habit of buying. As a result net credits increased by 76 per cent from \$89,000,000 in 1947 to \$157,000,000 in 1948.

Travel between Canada and overseas countries in 1948 produced a debit balance of \$8,000,000 as compared with \$5,000,000 in the preceding year. Total expenditures in Canada by non-immigrant travellers from overseas countries including Newfoundland are estimated at \$13,000,000 compared with \$10,000,000 in 1947. Canadians who travelled overseas in 1948 spent an estimated total of \$21,000,000 as against \$15,000,000 the year before.

UNESCO DELEGATES: The Canadian Delegation to the Fourth Session of the General Conference of the United Nations Educational, Scientific and Cultural Organization, to be held at Paris from September 19 to October 15, will be headed by Mr. John B.C. Watkins, Chargé d'Affaires, Canadian Embassy, Moscow, it was announced on August 26 by the Secretary of State for External Affairs, Mr. Pearson.

In addition to Mr. Watkins, who will act as Delegate, the Canadian Delegation will include:

Alternate Delegates -	F. Charpentier, Canadian Embassy, Paris;
	G. Sylvestre, Prime Minister's Office, Ottawa;
Secretary	- R.H. Jay, Department of External Affairs.

The Fourth Session will be a short business one only, to be followed in the spring of 1950 by a session of full duration and scope. Subsequent sessions will be held in the spring of each year to fit in with the United Nations' calendar of Conferences of Specialized Agencies.

CARLOADINGS: Cars of revenue freight loaded in Canada during the week ended August 20 advanced to 79,171 cars from 74,207 in the preceding week, but were 1.3 per cent lower than last year's corresponding total of 80,250 cars.

VALUE OF INVENTORIES: The total value of inventories held by manufacturing industries appears to have fallen slightly during June, according to the Bureau of Statistics. The preliminary index stands at 130.3 per cent of the average 1947 value as against 131.9 at the end of May. This is three per cent below the high reached in February, but six per cent above the level of June, 1948.

Of the main industry groupings, inventory values in the consumer goods industries dropped by 2.3 points during the month, bringing the index for this group to 127.0, which is 2.5 per cent below the February and March high point, but 5.7 per cent above last year's index. In the capital goods industries inventory values fell 3.2 points in June to reach 109.7; the index is 20 per cent below the high reached last November and 14 per cent below June, 1948.

Value of stocks in the producers' goods industries rose 4.8 points in June to reach a new high for this group at 143.6, which is 18 per cent above last year's level. Inventories in the construction goods industries appear to have fallen two points from the May high point for this group to reach 169.9, 20 per cent above June, 1948. Figures for sawmills, the largest component of this group, are, however, not yet available.

SECURITIES TRANSACTIONS: Sales and purchases of securities between Canada and other countries in June totalled \$79,200,000 as compared with \$29,400,000 in May and \$60,000,000 in the corresponding month last year. The net purchase balance on the month's transactions was \$5,800,000, the largest since May, 1948.

At the end of the first half of 1949, purchases exceeded sales by \$1,900,000 as compared with \$15,600,000 in the same period of 1948, and \$7,500,000 for the similar period in 1947. The trade in the half year totalled \$235,900,000 as compared with \$239,400,000 in the like period of 1948.

The large increase in the volume of trade during June was due principally to transactions with the United States, purchases exceeding sales by \$5,200,000.

Total sales and purchases with the United Kingdom were the highest since the beginning of the year, producing a net purchase balance of \$400,000. Total transactions with other countries advanced slightly, purchases exceeding sales by \$200,000.

WEATHER SHIP COMMANDER: Lieut.-Cdr. G.H. Hayes, D.S.C., R.C.N., 30, of Winnipeg and Victoria, has been appointed in command of H.M.C.S. "St. Stephen," Canada's ocean weather ship, it was announced on August 31 at Naval Headquarters. He succeeds Lieut. E.M. Chadwick, R.C.N., 28, of Victoria, Commanding Officer of the "St. Stephen" for the past two

years, who has been appointed Executive Officer of the Canadian Services College, Royal Roads, B.C.

The "St. Stephen" is at present undergoing refit in Saint John, N.B., and will resume her duties on Station "Baker", in Davis Strait, early in October.

ATLANTIC TREATY MEETING: The Department of External Affairs announced on August 31 that it has been agreed that the first meeting of the Council established by the North Atlantic Treaty will convene in Washington on September 17, 1949. It is expected that the Foreign Ministers of all the Parties to the Treaty will attend. The Secretary of State for External Affairs, Mr. Pearson, will attend on behalf of Canada. Mr. Pearson will probably be accompanied by Mr. A.D.P. Heeney, Under-Secretary of State for External Affairs.

THE HAGUE APPOINTMENT: Appointment of D.A. Bruce Marshall as Commercial Secretary (Agricultural Specialist) at The Hague, the Netherlands, has been announced by the Minister of Trade and Commerce, Mr. Howe. Mr. Marshall will arrive at his new post early in September. His territory will include Belgium, Luxembourg and Denmark.

Before joining the Trade Commissioner Service in September, 1948, Mr. Marshall was employed by the Department of Agriculture, in charge of the foreign section of the Economics Division. He was editor of "Agriculture Abroad", and was also responsible for the development of "Overseas Report". From 1938-1940 he was employed with the Economics Division in the Edmonton office of the federal Department of Agriculture.

AIR INTELLIGENCE DIRECTOR: Air Force Headquarters has announced a change of command in the Air Intelligence Directorate of the RCAF with the appointment of G/C W.W. Bean, OBE, 36, of Kitchener, Ont., as Director of Air Intelligence, and W/C G.S. Austin, 33, of Kamloops, B.C. as assistant Director. G/C Bean replaces W/C W. Weiser, MBE, DFC, 30, of Ottawa, who has been transferred to the Directorate of Air Planning.

SCIENCE IN ARCTIC: At scientific research stations at Churchill, Man., and Baker Lake, N.W.T., some of the most competent Canadian specialists are conducting basic research programmes in entomology, the mechanics of snow and ice, nutrition, archaeology, protection against cold, and many related subjects. Weather stations have been established at strategic locations throughout the North and as a result, meteorological knowledge is rapidly expanding.