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CANADA

# CANADIAN WEEKLY BULLETIN

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## CANADA'S ECONOMY IN 1959

In his year-end review of economic development in 1959 and forecast for 1960, Mr. Gordon Churchill, Minister of Trade and Commerce, predicted that Canadians could look forward with confidence to the continuation of sound economic growth. Mr. Churchill noted that economic conditions now were based on the "solid foundations of constructive peacetime pursuits", whereas a decade ago they were based on the requirements of the Korean War and the NATO defence build-up.

The growing needs of the Canadian people, the Minister said, whether for public facilities or for goods and services, have given the dominant push to the present upward surge of productive activity.

Mr. Churchill's review follows:

"Canada's Gross National Product in 1959 has increased by 7 per cent from the level of the preceding year. Prices have risen on the average by 2 per cent. This means that total national output, in physical volume terms, is up by about 5 per cent. Agricultural production in 1959 has been affected by below-average harvests of grains and some other crops, but most other industries have experienced substantial gains. Industrial production has increased by 8 per cent.

"Expanding production has, in turn, meant more jobs. Total employment has been nearly 3 per cent higher on the average in 1959 than in the preceding year. The long-term decline in farm employment has continued, but non-farm job-holders increased by 3.5 per cent. New

job opportunities have kept ahead of the expanding labour force and unemployment has declined. Considered as a proportion of the labour force, the number of jobless persons in Canada fell from 6.6 per cent in 1958 to 5.6 per cent in 1959. By November, unemployment was 18 per cent below the level of a year ago.

## INCOMES AND CONSUMPTION

"The improved tempo of economic activity has been reflected in higher returns to all major income groups. Higher operating levels in industry have contributed to a sharp recovery in corporate profits, together with a further increase in wage and salary scales. Increased rates of pay, together with more and steadier employment, have raised labour income by 8 per cent this year compared with last. All major categories of investment income have increased. Government payments to individuals have shown a further slight increase, following on the substantial rise of the preceding year. Despite lower prices for some commodities and below-average harvests, cash returns to farmers have been well sustained. Personal income in total, after deducting direct tax payments, increased by 6 or 7 per cent between 1958 and 1959.

"This strong income trend has provided the basis for a quite substantial rise in consumer spending. Durable goods, in particular, have surged ahead with automobile sales up 15 per cent and most of the major household appliances also showing substantial gains. Spending on

(Over)

each of the major categories of soft goods, and on services, has shown at least a moderate rise. Consumer spending in total is up by 6 per cent. With consumer prices having risen little more than 1 per cent, per capita spending in real terms has increased 2 to 3 per cent, a better than average gain.

"While spending more, Canadians have also been saving more. As a proportion of disposable income, savings in 1959 have reached the unusually high ratio of 8 per cent. Thus the financial position of the Canadian consumer remains strong, while living standards have improved.

#### INVESTMENT

"Capital spending, both private and public, has risen slightly in 1959. Commercial, institutional and public investment has comprised an increased proportion of the total programme. In basic industries, such as mineral products and fuel and power, the build-up of new capacity, though not as great as in preceding years, continued on a substantial scale. Capital spending in manufacturing amounted to \$1.1 billion. Housebuilding has been maintained at a high level, but is lower than in 1958 when the volume of residential construction far surpassed that in any preceding year. It is estimated that housing starts for this year will reach the 140,000-mark, compared with 165,000 in 1958, while completions will approximate last year's record of 147,000 units.

"Though only slightly higher for 1959 as a whole, the trend of total capital spending has been moving upward since the beginning of the year. New orders in capital-goods industries are rising and employment in construction has increased. The recent pick-up in housing starts, following the resumption of the loans-to-builders programme during the fall months, and the continuation of the winter works programme should provide a significant boost to construction activity during the winter.

#### FOREIGN TRADE

"Canada's exports in 1959 have moved upward with the general recovery in world conditions, after having been maintained in the preceding year despite a lower level of trade in the world at large. On the basis of figures available to date, the total value of exports in 1959 will approximate \$5.2 billion, an increase of about 5 per cent compared with the previous year and the highest figure ever recorded. The principal increases appear in wood, mineral and metal products, including lumber, woodpulp, newsprint, iron ore, uranium, iron and steel and asbestos. Among more highly manufactured products, farm implements and beverages have shown notable gains. Sales of wheat have held close to the high level of the preceding calendar year. Restraining elements in the upward trend of total exports have come from the tapering off in last year's heavy flow of beef to the United States and

the completion in 1958 of non-recurring contracts for military aircraft to NATO countries.

"Looking at Canada's exports by broad market areas, the principal increase in sales has been to the United States. Despite the dampening effect of the steel strike upon industrial activity during the latter part of the year, exports to this market for the year as a whole have increased by 11 per cent. Sales to the United Kingdom have remained steady and those to the rest of the Commonwealth have declined slightly. Shipments to all other countries combined are down, but if aircraft are excluded the trend is roughly unchanged. Within the total, however, sales to Japan have risen by about one-third from a level of \$105 million in 1958.

"Canada's foreign purchases have risen in response to the improvement in economic conditions domestically. On the basis of 10-month figures, total imports have increased by 9.5 per cent compared with 1958, but remain below the level reached in the preceding year. The increase from last year to this is spread over a wide range of consumer, capital and producer goods, with higher purchases of automotive goods and farm implements particularly prominent in the total. However, certain important basic materials, such as coal and petroleum products, have lagged behind the general upward trend. To some extent, this is a result of temporary influences, but it also reflects a lessening dependence upon foreign sources for this type of product. Geographically, purchases from each of the major trading areas have risen, but in percentage terms the increase is greater for the United Kingdom and other overseas sources combined than for the United States. Consequently, Britain's share in Canada's import market has continued to expand and presently stands at 10.4 per cent, compared with 9.3 per cent in 1957. Over the same two-year period, the United States share has declined from 71.1 per cent to 68.3 per cent.

"Because of the sharper rise in total imports than in exports, Canada's imbalance on merchandise trade is presently higher than in 1958, but remains below the levels reached in the two preceding years. Most of the rise in the merchandise deficit this year compared with last appears in the form of a lower surplus with overseas countries. The deficit with the United States has changed but slightly. Canada's imbalance on non-merchandise items, such as tourist expenditures and interest and dividend payments, has continued to increase. For the first nine months of 1959, Canada's deficit with the rest of the world on all current transactions amounted to \$1119 million, compared with \$788 million in 1958 and the record of \$1171 million reached in 1957.

"This deficit on current account has been covered by an inflow of capital funds. Even with the high volume of domestic saving, Canada's expansion continues to proceed at a

pace involving extensive reliance upon foreign resources. The premium on the Canadian dollar has been higher, on the average, than in the preceding year.

#### INDUSTRY CONDITIONS

"The general economic improvement during the past year has been accompanied by widespread increases in activity throughout all major sectors of Canadian industry. Within the home market, shipments from domestic producers have, for the most part, kept pace with imports; although there have been notable exceptions, particularly in certain consumer goods lines where import competition has been intense.

"Recovery in material-producing industries has been led by primary iron and steel, which has experienced the dual stimulus of rising consumption and restricted North American supply resulting from the shut-down of United States mills. The Canadian industry has been operating at full capacity for some months and production has risen nearly two-fifths in the current year. Iron ore output and exports have also increased by about 40 per cent. Non-ferrous metal producers have, for the most part, witnessed a general improvement in market conditions despite adverse influences affecting certain items. The uranium industry has had a year of high operations but now faces a period of adjustment.

"Within the fuel group, petroleum production and refining have increased moderately in response to rising domestic consumption and larger exports, following the removal of American restrictions against Canadian oil. A continuing expansion in distributive outlets has been accompanied by a substantial increase in the production of natural gas. On the other hand, operations in the coal industry have continued downward in the face of strong competition from other fuels. Lumber products had experienced an early recovery in 1958, which continued into the current year. Despite the moderating trend in housebuilding in both Canada and the United States and the late summer work stoppage in British Columbia mills, total production in 1959 has held to about last year's level. Canada's newsprint industry tended to lag behind the general recovery in its early stages but, with the continuing rise in North American consumption, has subsequently been moving steadily ahead. By October, operations in the industry had risen to 90 per cent of capacity while production in the year to date is up by 4 per cent.

"Woodpulp output has shown a stronger year-to-year advance, reflecting principally the strong demand for kraft pulps. Chemicals production, which had continued to advance during the 1957-58 business contraction, has remained roughly unchanged during most of 1959. Early-year weakness in paints and fertilizers has offset gains in other products. With construction work at a record level,

building material producers have had an unusually active year.

"Consumer-based industries, though in some cases facing stiff competition from imports, have had the benefit of a stronger trend of consumer spending. In the case of automobiles, from last year to this, the proportion of European-type cars in the Canadian market has increased from 20 to 25 per cent. Nevertheless domestic production of passenger cars ran well ahead of last year's level until the recent shut-downs caused by shortages of parts from the United States. To mid-December, production is slightly up compared with the 1958 position. In the commercial vehicle field, where imports are relatively small, output is up by 15 per cent. In most electric appliance lines there has been a pronounced increase in both production and sales.

"Imports of some items, such as refrigerators and freezers, have fallen sharply mainly as a result of curtailed production in the United States. Textile, clothing and leather footwear trades have experienced a moderate rise in business volume, but in all major categories except woollens, imports have increased more than domestic shipments. Operations in the food and beverage industries continued to expand during the past year with the sharpest increases occurring in meat packing and soft drinks production.

"Among Canada's equipment-producing industries, output of farm implements moved up substantially to continue the recovery which started in 1957. Sales rose sharply in both the domestic and American markets. More recently, production in industrial and business machinery lines has shown improvement following the upturn in business investment. On the other hand, activity in railway equipment industries has been at a relatively low level. Output of heavy electrical apparatus has declined for the second consecutive year, but the commencement of several new expansion projects in the electric power field suggests an early improvement in the order position of this industry.

"Meanwhile, activity in the service trades has been expanding steadily, and it is here that the principal increase in employment has taken place.

#### PROSPECTS FOR THE COMING YEAR

"After moving sharply ahead in the early part of the year, the tempo of economic activity in Canada slackened somewhat in the summer months. Subsequently, the pace of advance has again quickened, and key economic indicators are presently pointing toward further expansion.

"The international economic climate at this time appears particularly favourable. There is general expectation that the American economy will move ahead with renewed vigour, providing the steel strike is not resumed. In other industrial countries, business activity con-

(Continued on P. 6)

**PROPOSAL ACCEPTED**

The Secretary of State for External Affairs, Mr. Howard Green, has announced that the Government of the Soviet Union had accepted the Western proposal that the Ten-Power Disarmament Committee begin its work in Geneva on or about March 15, 1960. The Soviet reply was contained in a Note delivered by the Soviet Ambassador in Ottawa.

The Soviet Note was in reply to the suggestion submitted on December 22 by the French Ambassador in Moscow to the Soviet Ministry for Foreign Affairs on behalf of the Governments of Canada, France, Italy, the United Kingdom and the United States, the five Western members of the Ten-Power Disarmament Committee, that the Disarmament Committee meet in Geneva on or about March 15 next. This suggestion was put forward after the subject had been discussed at a meeting in Paris on December 20 of the foreign ministers of the five Western nations, in the course of the recent Ministerial meeting of the North Atlantic Council.

The Soviet Note indicated that similar communications had been sent to the Governments of France, Italy, the United Kingdom and the United States, as well as to the Secretary-General of the United Nations.

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**ALBERTA SCHOOL FOR THE DEAF**

One hundred and forty-four pupils including one Eskimo girl, enrolled at the Alberta school for the Deaf at Edmonton with the commencement of its fourth operational term in September.

Located south of the University of Alberta campus in Edmonton, the school is considered to be one of the most modern in North America. Students, between the ages of five and eighteen receive educational instruction up to the grade eight or nine level. Training in pre-vocational subjects with aim of high grade responses in attitudes and in good work habits are emphasized to prepare children for employment when they reach the age of 18.

Of two groups totalling 20 who have already left school in the last two years, 17 are gainfully employed or continuing as students elsewhere.

Academic classes follow the regular Alberta curriculum with vocational training when students reach the age of approximately 12 years. Girls are taught cooking, sewing, practical methods of setting tables and general homemaking. Typing and elementary office routine are also offered. Older girls attend beauty culture classes to teach them the proper way to achieve good grooming. Boys are introduced into industrial art with wood and metal working, electricity, draughting, graphic art courses and barbering. Other training is available in the kitchen, e.g.

baking; in the laundry and in housekeeping or caretaking.

Pupils reside at the school during the school year. A fullscale recreational programme takes up much of the children's spare time. Teams compete in basketball, hockey, softball and volley-ball in inter-school leagues, and swimming classes are also available. Physical education includes a gymnastic programme too.

In the first year at school a pupil receives special instruction in building language vocabulary through reading, speech reading and speech. Basic skills are introduced then, for example, printing and number concepts; sense training and socialization go hand in hand. The average deaf child has not had the opportunity to learn the many things a normal child will pick up because the sense of hearing directly or indirectly influences about 60 per cent of the learning or appreciation ability of an individual. By the second year in school, pupils of ability have shown capacities for learning at the grade one level; the weaker pupils have spent two years before readiness is adequate.

"Sign" language is not taught at the centre and the chief method of communication is by the oral method including writing. Teachers, however, adapt instructional methods to meet the needs of certain children who do not have aptitude for oral methods.

In addition to providing training facilities for Alberta's deaf children, the school has given specialist and university medical students the opportunity to study deafness. In co-operation with students and their families, a genetecist at the University of Alberta has undertaken a genetic study of the factor of heredity in deafness. Third year medical students at the University of Alberta attend lectures at the school each Monday of the university year. The future medical practitioners learn what to look for in examining children for deafness, and generally enhance their knowledge of the problems of the deaf child, as well as the local training facilities available for them.

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**FLYING TRAINING SUBSIDIES**

With a view to maintaining a supply of young aviators as potential commercial pilots, the Department of Transport will continue for another year to pay flying training subsidies within a limited age category, Transport Minister George Hees has announced. The question of such subsidies has been under close study by the Department for some time. In the past, subsidies have been paid in the case of all students obtaining pilot licenses after undergoing the required training.

On and after March 31, 1960, a grant of \$100 will be paid to all persons completing an approved course of flying training and obtain-

ing a private pilot license providing they are not over 33 years of age. A similar grant of \$100 will be paid to flying clubs or schools in respect of all such persons when they graduate as private pilots.

The age limitation concerning the subsidies is being put into effect as a result of the careful study of the Canadian aviation scene. It has been found that older private pilots have little potential as future commercial pilots and that those proceeding into the ranks of commercial flying are mainly from the age category set out in the new regulations. A survey shows that about one in six private pilots goes on into commercial aviation and that, with the continuing growth of Canada's air industry, an adequate reserve of potential commercial pilots must be maintained.

Student pilots over the 33-year-old age limit who are now in training will be granted the subsidy on getting their pilot licenses as provided for when they began their flying courses.

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**"ROADS TO RESOURCES"**

The signing of the formal agreement covering the Roads to Resources Programme for Alberta has been announced jointly by Mr. Gordon E. Taylor, provincial Highways Minister, and Mr. Alvin Hamilton, Minister of Northern Affairs and National Resources.

Under this agreement, the two governments will spend \$15,000,000 over the next six years on two major projects in Northern Alberta: the reconstruction of the Mackenzie Highway from Grimshaw to the boundary of the Northwest Territories, a distance of approximately 300 miles; and the improvement and new construction of a road from High Level to the west boundary of Wood Buffalo National Park, a distance of approximately 130 miles.

In announcing the agreement, Mr. Hamilton said he was happy that negotiations with the Province had reached a successful conclusion and predicted that the two roads covered by the agreement would make a significant contribution to the development of Northern Alberta. They would also link up with the territorial section of the Mackenzie Highway which is now being reconstructed by the federal government and the road system being built by the federal government in Wood Buffalo Park.

Although the formal agreement has just been signed, the federal Minister had already authorized work on the programme and, during the past two construction seasons, the Province has made significant progress with the work.

Agreements have been signed recently with the provinces of Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland, Manitoba and Ontario. The British Columbia agreement was signed some time ago.

**QUEBEC PREMIER'S DEATH**

Mr. Paul Sauvé, 52, who was sworn in as Premier of Quebec on September 11, 1959, died suddenly on Saturday, January 2, at his home in St. Eustache, 20 miles northeast of Montreal. The many who paid tribute to the Premier, who succeeded the late Maurice Duplessis only four months ago, termed his death a great loss to the Province of Quebec and to Canada. It was expected that a successor to Premier Sauvé would be selected at a Union Nationale Party caucus on Thursday, January 7, in Quebec City.

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**IJC REPORT RECEIVED**

Prime Minister John G. Diefenbaker has announced that the International Joint Commission has submitted to the Governments of Canada and the United States its report on "Principles for Determining and Apportioning Benefits from Co-operative Use of Storage of Waters and Electrical Interconnection Within the Columbia River System."

In January 1959, the two Governments requested the Commission to make a special report on the determination and allocation of benefits which might result from the co-operative development of the Columbia River System, with particular regard to electrical generation and flood control. "This report," the Prime Minister said, "has now been submitted by the Commission to the appropriate authorities in Canada and the United States."

Mr. Diefenbaker recalled that on December 16, the Commission announced that this report would be forthcoming shortly and that, in welcoming the news, he had expressed the hope that it would soon be possible to move forward in negotiations with the United States towards a solution of the Columbia River problem.

The Prime Minister expressed pleasure at receiving the report and paid tribute to the five Canadian and United States members of the International Joint Commission who signed the report for the dedicated manner in which they had discharged their responsibility. The Chairman of the Canadian Section is General McNaughton and the Acting Chairman of the United States Section is Mr. E.W. Weber. The other Canadian Commissioners are Dr. D.M. Stephens of Winnipeg and Mr. Lucien Dansereau of Montreal, and the other United States Commissioner is Mr. Francis Adams. In particular, the Prime Minister referred to the comprehensive and constructive approach made to the task by the late Governor MacKay as Chairman of the United States Section of the Commission.

"I am sure," Mr. Diefenbaker continued, "that the recommendations which have been approved unanimously by the Canadian and United States Commissioners, will be of great value to the governments concerned in the negotiations which lie ahead."

The Prime Minister announced that the Secretary of State for External Affairs, Mr. Howard Green, had informed him prior to departure for Vancouver that arrangements for a meeting of representatives of Canada and the United States have already been discussed and it is hoped that negotiation of a treaty will begin early in the New Year.

CANADA'S ECONOMY IN 1959

(Continued from P. 3)

tinues to advance after a year of steady expansion. The balance of payments positions of these countries have strengthened and their reserves have increased substantially. The world's main trading currencies are now convertible and discrimination against dollar area exports is being progressively eliminated. Import restrictions are being relaxed and removed. Moreover, with the vulnerability to balance of payments difficulties greatly reduced, the growth of internal consumption and investment levels in many foreign countries is no longer subject to the same limitations as previously. Meanwhile, under-developed countries have benefited from a moderate improvement in world commodity markets. These developments have already resulted in a considerable increase in the level of international trade.

"In the early stages of this world expansion, the major material-consuming countries, such as the United States, relied to a large extent upon available domestic capacity to provide for their mounting requirements of industrial materials. However, further growth of production in industrial countries is likely to be accompanied by increasing reliance upon Canadian as well as other outside sources of supply. The level of Canadian exports is already rising and continuation of this trend would exert a dual stimulus within the economy. On the one hand, it would bring into use recently-created capacity in Canada's export industries. Secondly, it would generate new interest in industrial expansion and thereby reinforce the rising trend of capital investment now underway.

"What is presently known of investment plans for 1960 suggests that capital outlays by the business community will increase considerably. A stepped-up rate of expansion is indicated in the commercial sector, in manufacturing and possibly in some utilities also. The level of outlays in other fields of investment will depend in large part upon the physical and financial resources which they are able to command. For example, the reduced availability of mortgage funds has already brought about a decline in the level of

private housebuilding, but the recently-announced increase in the maximum rate on loans insured under the National Housing Act will facilitate the flow of money to this area. There is now clear indication that total investment, both private and public, will be up in the coming year.

"Prospective growth in both exports and investment will help to sustain the current upward trend of personal incomes and contribute to further strengthening in other market sectors. The consumer market in particular gives promise of continuing buoyancy in the period ahead.

"These considerations suggest that total demands upon the economy are likely to continue to increase, resulting in a further expansion of output and employment. While productive resources have become more fully utilized over the past year, there is still a considerable amount of available capacity in most industries. In addition, manpower and plant capacity are growing steadily. In these circumstances, it would appear that a production increase of considerable dimensions could take place without giving rise to excessive pressure upon productive capacities. At the same time, it is important that demands be kept within the scope of available resources. If this objective is achieved, Canadians can look forward with confidence to the continuation of sound economic growth."

TO VISIT CANADA

The Prime Minister, Mr. John G. Diefenbaker, has announced that Prime Minister Nobusuke Kishi of Japan has accepted an invitation to pay an official visit to Canada.

He will arrive in Ottawa at 11 a.m. on January 21, 1960, accompanied by Mr. Aiichiro Fujiyama, Minister for Foreign Affairs.

The Prime Minister of Japan and his party will leave at noon on January 22 to return to Tokyo.

NAMED SPECIAL AMBASSADOR

Mr. Bruce Williams, High Commissioner for Canada to Ghana, was Special Ambassador of Canada to the Republic of Liberia on the occasion of the inauguration of President William V.S. Tubman for a fourth term of office.

Mr. Williams attended the ceremonies which were held on this occasion at Monrovia, Liberia from January 3 to 7, 1960. He transmitted to President Tubman a message from the Prime Minister extending his personal congratulations and greetings to the people of Liberia on behalf of the people of Canada.