



CANADA

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## CANADA-U.S. ECONOMIC RELATIONS

The following excerpts are from an address by Mr. Maurice Sauvé, the Minister of Forestry and Rural Development, on May 1 at New York University:

...Investment by foreign firms is occurring in virtually every nation of the world - not excluding Communist countries. And it is not just happening by itself. It is a matter of deliberate policy both of the firms themselves and in many cases, of the receivers as well. Virtually every state, province and municipal area in Canada and the United States as well as many large industries - such as railroads - have established agencies for the express purpose of encouraging the development of industry. They certainly do not restrict themselves within national boundaries....

Let us take a look at the Canadian-U.S. situation. *First*, we must recognize that substantial foreign investment in the Canadian economy is not a new phenomenon. *Second*, we must recognize that foreign investment is decreasing sharply in relation to the size of the Canadian economy. Before the Second World War, foreign long-term investment substantially exceeded 100 per cent of our gross national product. Since the war, though the overall amount of this investment has increased, it has declined proportionally in comparison to our GNP, to between 50 to 63 per cent. *Third*, while the relative magnitude of foreign investment is decreasing, a larger proportion is being placed in direct investment - that is, designed to control the operation of the company in which investment occurs - and a smaller proportion is being placed in portfolio investments - that is, bonds and stocks not giving control. By the end of the 1930s, direct investment constituted 33 per

cent of foreign investment. By 1957 it had become 58 per cent, a level which has remained approximately stable until the present.

*Fourth*, the degree of non-resident ownership is high in three sectors, in manufacturing it is over 50 per cent, in petroleum and gas, mines and metals it is over 60 per cent of total capital invested. However, even if more foreign investment is being channelled into direct investment, the overall non-resident control in the Canadian economy has not varied greatly.

In sum, while there has always been considerable foreign investment in Canada, it is declining in comparison to the wealth Canada produces. A greater proportion of foreign investment is taking the form of direct investment, but the level of this investment is taking the overall direct investment - that is, both foreign and Canadian - remains stable. In manufacturing and resource development industries, the level of foreign ownership is high, well over 50 per cent of capital investment, and if there are problems resulting from foreign ownership it is these sectors of the economy which are most directly concerned....

### MYTHS OF FOREIGN INVESTMENT

It has been suggested that there is an actual or potential conflict between the interests of Canadian subsidiaries and their foreign parent-companies, who may seek to maximize their long-term profit on their national and international operations taken as a whole. Decisions which are reasonable from this point of view may not necessarily lead to the maximum development of a Canadian subsidiary from a

Canadian point of view. This actual or potential conflict of interest could take many forms. First, it has been argued that the opportunity for Canadians to gain senior management positions in foreign-controlled firms is limited, and that this exclusion has the double effect of limiting the development of Canadian management resources and ensuring that the decisions taken by the subsidiary conform to the parent's interest.

The facts do not seem to bear out the fears expressed on this point. A study by your Department of Commerce shows that, of the 35,000 supervising, professional and technical personnel in U.S. direct-investment companies in Canada in 1957, only 1,000 came from the U.S.

I mentioned earlier the concentration of foreign investment in the manufacturing, mining and petroleum industries. In 1962, the latest year for which we have figures, of the 138 corporations in these sectors which were at least 50 per cent foreign-owned, and with assets of \$25 million, 103 had presidents resident in Canada and over half of these were Canadian citizens. And over four-fifths of the resident senior management positions of these companies were held by Canadian citizens....

#### EXPORT BARRIERS

It may very well be true that Canadian manufacturers find it difficult to export abroad. What is incorrect is to assume that it is foreign ownership that makes it difficult to develop external markets. The hard fact is that there are economic and legal barriers which often make it difficult for firms in Canada to compete effectively abroad. This is as true...for Canadian-owned firms as it is for foreign firms.

Many secondary manufacturing subsidiaries in Canada have higher unit costs than their parent company and effective export competition with comparable United States producers is often not possible, except when there are markets with tariff preferences extended towards Canada which are not extended to the U.S.

In fact from an export point of view Canada on the whole probably benefits largely from foreign investment in Canada - partially because the existence of subsidiaries excludes competition from the parent firm in the Canadian market, and partially because of the research, administrative and market advantages which often accompany foreign ownership.

...A further charge often brought against foreign direct investment is that it creates a branch-plant economy in which research and development are conducted by the parent company in the U.S. to the detriment of the development of a research capacity in Canada....

#### CONSTRAINTS AGAINST ABUSE

I have reviewed a number of what I consider to be the more serious common myths of foreign investment, in the Canadian context at least. To the extent that any of these carry an element of fact, obviously one must take care. But to my mind the emphasis must be on developing the advantages to the nation or area of

foreign investment, not on restricting the investment itself. To a great extent there are natural constraints that ensure against abuse. Let me demonstrate this with a few examples:

(1) American investment in Canada is the result of many individual ventures, not the result of a planned take-over.

(2) American, like Canadian, business is largely in the hands of professional managers who realize that for continued success their firms must carry some responsibility for the welfare of their employees and for the citizens of the local environment as well as for the stockholders.

(3) Professional managers are extremely conscious of the necessity to run their operations as corporate citizens within their local environment.

(4) There is a shortage of professional managers, and no American or Canadian company will deliberately seek to deprive itself of this much-needed talent by sending it to a foreign operation, if local talent is available. If there is a complaint, it is that Canadian talent is sometimes transferred to American operations, rather than the reverse.

(5) Business decisions are decided by economics, but with considerable regard to political considerations. It is not only likely, but may well be often the case, that a decision by an American company operates in favour of a Canadian company and the Canadian economy.

(6) Companies are run by people - human beings, not ideologists. There are as many differences of opinion between the head offices of an American company in New York and its subsidiaries in Kansas or Texas, as there are with those in Toronto or Vancouver. If there are company decisions taken that appear to be contrary to a local interest it is not because someone in a head office has a policy to run down the local area, but because that is the decision that makes most sense in the overall context....

What I am really suggesting is this. The apparent disadvantages of foreign investment, if not refuted, are certainly far from clear, whereas the advantages of foreign investment are clear even if difficult to qualify statistically.

Foreign investment brings to Canada not only needed capital, but also access to technology and research, management skills, and markets which it would not otherwise obtain, or obtain only with difficulty. In other words, foreign capital does what Canadians alone would do both less efficiently and more slowly.

What is required is to establish goals of national development and designing fiscal, monetary and commercial policy in such a way that the interests both of Canadian-owned companies and foreign subsidiaries will direct them to their accomplishment. The governmental role will necessarily be large but realistic and not doctrinaire. The restructuring of the Canadian economy to concentrate more sharply on those activities in which we possess relative advantages will not benefit all firms equally, and some it will not benefit at all. Government activity will be necessary, both to prevent the establishment of monopoly positions, and to ensure that the costs of restructuring the economy are borne equitably....

### WHEAT PACT WITH BULGARIA

Mr. Robert Winters, Minister of Trade and Commerce, on behalf of the Canadian Government, signed on April 26 a renewal of the trade agreement with the People's Republic of Bulgaria providing for a three-year extension of the most-favoured-nation treatment between the two countries and for further sales of Canadian wheat.

Bulgaria is to purchase a minimum of 7.4 million bushels of wheat during the next three years, with an option on a further 3.7 million bushels subject to the Wheat Board's ability to supply. The basic quantity, with the additional option, represents about \$24-million worth of trade at current prices. Purchases of wheat under the present agreement will be facilitated by credit arrangements extended under the Export Credits Insurance Act, providing for payment over three years. During the three-year period of the previous agreement, Canada was able to provide 17.1 million bushels, to help meet the short supply situation in Bulgaria in 1964.

### TRADE EXPANSION FORESEEN

The agreement was signed for Bulgaria by Mr. Dimitar Kostov, chairman of the trade delegation of the People's Republic of Bulgaria. It includes an exchange of letters between Canada and Bulgaria expressing the interest of both in expanding and diversifying their mutual trade. Bulgaria has undertaken to give first consideration to Canada as a competitive source of supply for a number of goods other than wheat. The Bulgarian letter also indicates that it should be possible for Bulgaria to expand its exports to Canada.

In order to facilitate the understandings discussed above, Canada and Bulgaria have agreed that representatives of the two governments will meet on a regular basis to review the progress of trade in both directions.

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### FLOOD RELIEF FOR ITALY

A total of 860 Holstein-Friesian dairy cattle, worth \$550,000, are being shipped from Canada to Italy this month to replenish stock that drowned or had to be slaughtered after disastrous floods that inundated a third of the country last autumn. Italy lost 150,000 cattle in the floods, the worst peacetime disaster of its history.

The Secretary of State for External Affairs, Mr. Paul Martin, said recently that 630 cattle, worth \$400,000, were being sent by the Government of Canada. Another 230, valued at \$150,000, are being provided by the Canadian Flood Relief for Italy organization.

The herd will double in size shortly after arrival, since each of the heifers is "in-calf".

The pure-bred cattle have been purchased from Canadian farmers in almost every part of the country for assembly in the Montreal stockyards. The majority are from Ontario and Quebec, which have the largest

number of Holstein farms. Others are from Western Canada, particularly British Columbia and Alberta and from the Maritimes.

The animals will be shipped to Italy aboard the M/S Ceres and will be landed at Cenon. There, they will be received by the Italian Department of Agriculture and kept for two weeks in seven provincial centres.

The Italian Government will distribute the cattle to individual farmers in herds of up to eight. The farms are in the flood-stricken provinces of Treviso, Venezia, Padova, Udine, Firenze, Pisa and Grosseto. Cattle could not be shipped into these areas before May because the pastures, barns and feed would not have been ready for them. The Holstein breed has been established in these areas for many years.

The \$400,000-External Aid contribution is part of the \$500,000 donation of the Canadian Government to help Italy recover from the floods. The remainder will be spent restoring art treasures.

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### RESIDENT EMBASSY IN BANGKOK

The Secretary of State for External Affairs, Mr. Paul Martin, has announced that, within the next few months, the Canadian Government intends to establish a resident mission in Bangkok, Thailand, and to appoint a resident Ambassador.

Canada and Thailand established diplomatic relations in 1961 and Mr. B.C. Butler is at present Canadian Ambassador to Thailand, resident in Kuala Lumpur. Mr. Butler will continue in this capacity until the resident embassy has been opened and a new ambassador is appointed.

Canadian relations with Thailand have been close for a number of years. Besides a common interest in the establishment of conditions of peace and stability in Southeast Asia, both countries are members of the Colombo Plan, and the Canadian aid programme in Thailand is expected to amount to \$1.3 million this year. Canadian exports to Thailand have increased from \$1.3 million in 1958 to \$5.6 million in 1965 and a further expansion of trade exchanges between the two countries can be expected.

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### CANADA FIRST AT EXPO '70

Canada was the first country to officially announce its intention to participate in Expo '70, to be held from March to September in Osaka, Japan. The official ground-breaking ceremonies took place last month. This international exhibition is expected to attract about 30 million visitors - about the same target as has been set for Canada's Expo '67 in Montreal.

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## MANDATORY CAR INSPECTION

Inspection of motor vehicles is obligatory in three Canadian provinces, but only one — Nova Scotia — is applying the letter of the law. The Manitoba and British Columbia governments are awaiting the development of facilities, facts and funds before enforcing the legislation now in existence.

The Canadian Highway Safety Council, currently promoting its annual spring car-check programme, is continually working towards compulsory car-check programmes for every province. The Council's Vehicle Safety Committee, which operates the programme through automobile and oil dealers across Canada, has been urging provincial governments to adopt mandatory car-check legislation for some years. For more than 30 years, Vancouver has conducted a compulsory car-check programme. Harry Gray, who is in charge of the programme, reported that the city's record of road crashes due to mechanical failure dropped from 8 per cent to less than 1 per cent after the introduction of the programme. He said that surrounding areas where car-check was still voluntary had maintained the 8 percent record.

### MANITOBA SPOT CHECKS

Manitoba provincial legislation requiring periodic vehicle inspection was enacted in 1966, but high costs and the need to clarify a number of the act's technical features delayed enforcement. It may be 1968 before it is put into effect. In the meantime, police carry out periodic spot checks in which concentration is on the older vehicles. The rejection rate runs as high as 60 per cent. A test programme of vehicle inspection was run in 1962 by the Manitoba Motor League in which 24 per cent of the 11,600 vehicles checked were either approved on first test or after defects were corrected and a second check was made.

### B.C. PROGRAMME DELAYED

British Columbia's mandatory car-check legislation became effective January 1, 1967, but has been delayed due to shortages of facilities and equipment. The province will use the system involving government testing stations, the first one to be established in Victoria. Then testing stations will be opened in the more heavily populated areas on the lower mainland. The unit in Vancouver, which has been in continuous effective and profitable operation since 1938, will continue without alteration or interference, but will eventually become part of the provincial system. Meantime, voluntary car-check lanes will continue to tour the province where, last year, it was found that 60 to 70 per cent of the vehicles checked failed to pass their first tests.

### IN NOVA SCOTIA IT'S OFFICIAL

Thus, Nova Scotia becomes the first province to actually operate a mandatory vehicle-check programme. On February 15, legislation went into operation making periodic inspection compulsory on all passenger vehicles. Official inspection stations are licensed by the Registrar of Motor Vehicles, where a ten-point minimum check is made of each vehicle and either "Approved" or "Rejected" slips are issued.

Rejected vehicles must be repaired and retested in ten days or their licences are suspended. All vehicles must be inspected before being sold. To date, there are 750 licenced testing stations, patrolled by seven government inspectors.

Other provinces are studying the question of mandatory inspection of automobiles.

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## JAPANESE OIL-SAND STUDY

A spokesman for the Japan Petroleum Exploration Company Limited (JAPEX) reported recently that the company had received the approval of the Japanese Government for the first stage of a basic survey into the feasibility of producing crude oil from the Athabasca tar-sands of Northern Alberta. The oil would be for Japanese domestic consumption.

He reported that discussions between the semi-governmental agency based in Vancouver and the Japanese Government had been completed.

A Tokyo report confirmed that the Japanese Ministry of International Trade and Industry had called on JAPEX to resume negotiations with Canadian mining interests in a programme to develop the oil-sands.

As a first step it wants JAPEX to reach a deal with some oil-sand concession holder which would permit it to jointly develop the concession and acquire oil in ratio to the investment.

MITI suggests that the company determine this year whether to undertake drilling or to erect a test pilot-plant for separating the oil from the tar sand.

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## STRATFORD SHAKESPEARE SEMINARS

Shakespeare scholars from Britain, the United States and Canada, with directors and actors from the Stratford Festival and members of the general public, will participate in discussions this summer during the eighth annual Shakespeare Seminars at Stratford, under the auspices of the universities of Canada.

Enrolments are being accepted for two week-long seminars, in July and August by the extension department of McMaster University, Hamilton.

Founded in 1960, the Shakespeare Seminars each year invite those interested in Shakespeare to a week of study combining lectures and discussions with attendance at the Festival plays and operas.

Among the guest lecturers will be: Ronald Bryden, theatre critic, *London Observer*; Anthony Burgess, novelist and critic; John Crow, King's College, London; G. Wilson Knight, Professor Emeritus, University of Leeds; John Pettigrew, Peter Robinson College, Trent University; Peter Smith, University of California at Santa Cruz; Maurice Valency, Columbia University; Herbert Whittaker, theatre critic, *Toronto Globe and Mail*; C.L. Barber, Indiana University; Muriel C. Bradbrook, Girton College, Cambridge; Philip Ghild, Trinity College, Toronto.

Michael Langham, artistic director of the Stratford Festival Company, John Hirsch, associate director, Eric Christmas, Leo Ciceri, Patrick Crean and Peter Raby will also take part.

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### ECOSOC DELEGATES

Mr. Paul Martin, Secretary of State for External Affairs, recently announced that Mr. René Tremblay, would lead the Canadian delegation to the forty-second session of the Economic and Social Council of the United Nations meeting in New York from May 8 to June 2. The alternate representatives are Mr. B.I. Rankin, Canadian Ambassador to Venezuela, Mr. J.O. Parry, Acting Head of United Nations Division, Department of External Affairs, and Mr. R.M. Middleton, also from United Nations Division. The delegation also includes advisers from the Permanent Mission of Canada to the United Nations in New York.

### AGENDA

The Economic and Social Council is responsible for the general direction of the activities of the United Nations and its affiliated agencies in the economic, social and human rights fields. This session will concentrate on the work programme of the United Nations itself in these areas, including its activities in social development, housing, building and planning, the international control of narcotic drugs, land-reform and transport development. Two major items the Council will deal with are a proposal for a five-year global survey of non-agricultural natural resources, and a report on the United Nations programme of research and assistance in public administration. Under human rights, the Council will discuss such items as the measures taken in implementation of the United Nations Declaration on the Elimination of all Forms of Racial Discrimination.

Canada, which has served three previous terms on the Council, the most recent being from 1956-1958, began its present three-year term on the 27-member Council in 1965.

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### PORK PRODUCTS TO BRITAIN

Mr. Robert Winters, the Minister of Trade and Commerce, has announced that negotiations to re-open the large market in Britain for Canadian pork and pork products have been successfully concluded. The Canadian meat industry has received direct notification and is expected to embark shortly on an aggressive export promotional programme.

Mr. Winters recalled that the prohibition on export of pork products from Canada was originally applied by Britain in the early post-war years for balance-of-payment reasons and was maintained without change until 1960. At that time, arrangements were made for a quota of up to 25,000 tons of

chilled or frozen pig meat a year and for the admission of products with a minimal pork content. Nearly all the remaining restrictions have now been lifted and Canadian exporters can compete for the British market for all canned and cured products such as hams, pork luncheon meat, and sliced bacon, and will have no limitation applied to shipments of frozen, chilled or processed pork.

The one line of goods excluded from this relaxation is uncanned whole hams, for which new terms of access have yet to be arranged.

### HOPE OF EXPANSION

In 1966, Britain imported some 10,300 long tons of chilled or frozen pork, 397,000 tons of bacon, 33,500 tons of canned hams or bacon and 60,500 tons of other canned pig meat.

Before the Second World War, Canada was a major supplier of pig meat to Britain and, while it is not expected that this position can be completely re-established in the immediate future, it is hoped that a very important new export outlet will develop.

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### ARMED FORCES DAY

Canada will observe National Armed Forces Day this year on June 10.

Armed Forces Day, which was introduced in 1965, will tell the public more about the role of the Canadian Armed Forces, regular and reserve, and how their missions are carried out. The second Saturday in June is set aside annually for this purpose. In some places, this year, centennial celebrations will have precedence, but Armed Forces Day will be observed in some way by all commands. For example, many officers will address civilian organizations on the achievements of the forces.

In Ottawa, Armed Forces Day will be held in conjunction with the fiftieth anniversary of military flight in Canada, with special displays at Canadian Forces Base at Rockcliffe.

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### TRAINING AFRICAN FARMERS

An Albertan with 29 years of experience in mixed farming has been sent to Africa by the External Aid Office to help train African youths in basic mechanized farming. Charles Allen Moore, 50, will be the first practical farmer to join Mr. D.R. Goodrich, the Canadian agricultural expert now teaching at the Damongo Agricultural Institute, located in the savannah lands of northern Ghana. He will aid the Ghanaian students in the practical application of techniques learned in class, and will assist the graduates who are clearing land and establishing farms in the area.

Mr. Moore operated a 960-acre farm at Bentley until he retired a year ago. More than a farmer, he has diplomas in welding and book-keeping. His contract at Damongo will last one year, but can be renewed.

The school was established after Canadian-born Bishop Gabriel Champagne of Tamale, of the Roman Catholic White Fathers, suggested the project to the Government of Ghana in 1962. The Canadian Government was approached for assistance and D. Roy Goodrich of Unity, Saskatchewan, a man with farming experience in Africa, British Columbia, West Indies and the Canadian Prairies, was recruited by the External Aid Office as the agricultural expert for the development. Canadian-made machinery, teaching aids and other equipment have also been supplied.

Mr. Goodrich said that the school had to provide skills that would allow students to leap from farming with a hoe to farming with a tractor. It is impossible to use horses or other work animals because of the tsetse fly.

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### WHAT'S IN A NAME?

Scott Smith, a 13-year old school boy of Whitby, Ontario, has something in common with more than one per cent of Canada's population - his surmane - and, because of it, he won the Ontario public-speaking contest for elementary school orators in Toronto recently.

In his speech, the boy asked: "Who is that man? What is his name? Who has fought the most battles, made the most speeches, preached the most sermons, held the most offices, sung the most songs, written the most poems, courted the most women....?"

History says, I say, and everybody says - SMITH!"

During the school year, more than 300,000 students take part in the provincial contest sponsored jointly by the Ontario Hydro and the Ontario School Trustees' and Municipal Councillors' Association. Forty-two finalists competed for top honours this year, several of whom toured Niagara Falls as guests of Ontario Hydro the day after the event.

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### AUTOMATIC WEATHER STATIONS

Five automatic weather stations, which are to be installed for a total cost of about \$250,000, will help the Department of Transport prepare ground support for the supersonic transports of tomorrow.

When those huge aircraft fly from continent to continent within the next decade, they will need approach clearance from as far away as 1,000 miles;

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indeed, clearance even before take-off will eventually be normal procedure. This will demand precise knowledge of the weather within fractions of an hour. Accordingly, increased attention is being given to mesometeorology, which is concerned with weather changes within distances of miles and tens of miles, and, therefore, within a short space of time.

The automatic weather station was designed by Jay Dickson, an electronic design specialist of DOT's Instrument Division, who also built a test model of the prototype. The stations will record cloud cover, visibility, temperature, dew point, wind speed, wind direction, altimeter setting or pressure, and precipitation in hundredth inches. Each weather station sends its reports to a recording centre via cable for compilation and analysis. It can be adapted to report by radio if required.

The project began about four years ago, and included extensive field tests at Warton, Ontario, where the findings of the automatic station were satisfactorily compared to the hourly report of the aviation station located there.

Delivery of the five stations will probably take place next autumn.

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### HOURLY EARNINGS INCREASE

Average Canadian weekly wages in manufacturing increased from \$89.26 in December to \$93.08 in January, according to the monthly report from the Dominion Bureau of Statistics entitled *Man-Hours and Hourly Earnings*. This was mainly the result of a 1.6-hour increase in average weekly hours, which reflected short-time associated with the year-end holidays. Average hourly earnings showed a 1-cent increase to \$2.32. Compared to January 1966 figures, average hourly earnings in January 1967 were 13 cents higher and average weekly hours were 0.8 hours lower.

In the manufacturing of durable goods, average weekly hours, at 40.6, were 1.9-hours higher than in December, with all component industries contributing to the increase. Average hourly earnings were 1 cent higher than December's figure. In non-durable goods manufacturing, average weekly hours were 1.5 hours higher and average hourly earnings were unchanged. In construction, where the effect of the year-end holidays and seasonal short-time was particularly pronounced in December, average weekly hours were 5.9 hours higher and average hourly earnings rose 10 cents.