



CANADA

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CANADA'S COMMONWEALTH CONTRIBUTION

Canada's desire to contribute to the strength and spirit of the Commonwealth was emphasized by Mr. John G. Diefenbaker, Prime Minister of Canada, in a speech to the Commonwealth and Empire Industries Association at the Royal Albert Hall in London, on November 4.

The Prime Minister said that Canadians understand the necessity of the developed countries speeding up economic growth and improving the living standards of their people. Canadians, he said, feel a responsibility to assist their fellowmen in the attainment of these goals and they are prepared to discharge in full measure this important responsibility.

Expanding his theme, Mr. Diefenbaker said:

"Canada is among the six largest industrialized nations of the world. We are also the fourth largest trading nation, but our arrival as a highly industrialized country and a major trading nation is of fairly recent origin. We do not forget the days when our country depended heavily on agriculture and other primary industries for its livelihood.

"In the process of diversification and industrialization we have had the help of many countries. Men from many nations came to Canada and brought with them skills, know-how, enterprise and capital. We can show our appreciation for the help we, ourselves, received in the early days of nation-building by now providing similar help to other countries.

"Canada's economy has expanded rapidly in the post-war period, more rapidly than that of the United Kingdom and the United States. If past rates of economic growth are any indication, Canada may overtake the United Kingdom in terms of national income and national output within the next quarter of a century or so.

"Canada recognizes its responsibility and its place in both Commonwealth aid and Commonwealth trade. Insofar as aid to less-developed nations is concerned, the question which occupies us most urgently is not whether we should help them, but in what form our assistance will be most constructive and welcome. We know that it is an essential condition of true economic aid that markets be opened and opportunities found to sell and to assure reasonable return for the labour and investment of the people of the developing land. Trade and aid are two sides of the same coin.

"In this regard we warmly welcomed the announcement at the Commonwealth Conference to which I referred earlier of the relaxation of import restrictions by the United Kingdom. Australia also has recently relaxed its dollar restrictions, the better to encourage a true Commonwealth trading partnership.

"Canada in turn has opened her markets for the goods of other countries. The fact is that last year we bought \$5.6 billion worth of goods from 128 countries all over the globe. This was about \$700 million more than we sold to other nations. So it is that Canadians

express the fundamental belief in the benefits of international trade which I have said is the necessary complement to international aid.

"We have found that in addition to developing international trade, there are four kinds of specific economic aid which will help a country speed up its development. They are: (a) capital aid, (b) technical assistance, (c) educational assistance and (d) food aid. We have used all four methods, both as givers and receivers. We shall continue to expand and diversify our programme of assistance within these four categories.

"In deciding upon the form in which economic aid should take, Canada tries to adopt a practical and flexible approach, attuned to the needs of the less-developed countries and to our own experience and capabilities. A large part of our aid in the past has been channelled through the United Nations, but in some important cases, we have felt it more appropriate to use other media such as the Commonwealth. A well known illustration of this sort of aid programme is, of course, the Colombo Plan.

"In the eight years since that unique mutual aid programme, the Colombo Plan was brought into existence, it has resulted in the channelling of over \$3.5 billion in capital aid and technical assistance to the countries of Southeast Asia. In recent years the scheme has been extended to cover also Southeast Asian countries which do not belong to the Commonwealth, in view of the close ties and common problems of all the lands in this region. Canada's contribution to the Colombo Plan up to the present has totalled about \$225 million and we recently announced our intention to step up our annual expenditures for this purpose from \$35 million to \$50 million....

"In addition to other economic aid, we in Canada have been making direct loans to assist needy countries to obtain foodstuffs from us. The most recent example is the Canadian Government's decision to make available in the fiscal year 1957--1958 the sum of \$35 million to Colombo Plan countries in the form of long-term loans to finance the purchase of Canadian wheat and flour. This was in addition to the regular economic assistance under the Colombo Plan. Under this arrangement Canada concluded an agreement with India in February 1958 for the sale of 400,000 tons of wheat, worth \$24.2 million, to be financed by a government-to-government loan repayable in seven annual instalments to begin at the end of three years. A further loan of \$2 million, on similar terms, has since been made to Ceylon. The balance of the \$35 million, \$8.8 million, has been offered to and accepted by India. If the needs continue to be pressing, we will consider further loan assistance to friendly countries.

"These are some of the things which we as a nation have done in the recent past in our role as a Commonwealth partner."

GEOLOGICAL GRANTS

Research workers in 10 Canadian universities have received federal grants totalling \$50,000 to delve deeper into the fundamentals of geology and assist geologists to map and interpret Canada's geology.

The awarding of the grants was announced recently by Mr. Paul Comtois, Minister of Mines and Technical Surveys. The grants are awarded on the advice of the National Advisory Committee in the Geological Sciences to support and stimulate geological research in Canadian universities. This year, they will support 10 new projects and 15 continuing studies.

Since 1951, when the grants were initiated, 68 projects have been supported to the amount of \$235,000. Much valuable research information has come out of the studies. To date sixty-nine papers recording the results of 30 projects have been published in scientific periodicals.

All told, 40 applications for support, amounting to just over \$99,000, were reviewed this year by the Committee of which Dr. J.M. Harrison, Director of the Geological Survey of Canada, is chairman. This compares with 20 in 1957 when \$40,000 was awarded in support of 16 projects.

Studies this year range from measurements of the heat flow from the earth in western Canada to studies of the alkaline rocks of the Oka district in Quebec, and cover a series of mineralogical, chemical and geochemical investigations which, it is hoped, will broaden the understanding of the origin of minerals and mineral deposits. Knowledge gained from the work will go far in the development of improved prospecting techniques.

At McGill University, research into the behaviour of silicates and sulphides at high temperatures and pressures may provide more information on the changes rocks undergo when deeply buried in the earth's crust, and on how and why the ore deposits associated with them are formed. Research on the determination of the ages of rocks and minerals at the universities of Toronto and Alberta will add to the existing knowledge of the structure and history of the rocks of the earth's crust.

Detailed studies in granitic rocks at Queen's University may tell more about their origin and the origin of the important ore deposits associated with them.

The National Advisory Committee was set up in 1949 by the Federal Government at the suggestion of the Canadian Institute of Mining and Metallurgy. Its three-fold purpose is to arouse interest in and co-ordinate geological research carried on in Canada; to suggest research projects that should receive attention; and to aid in having these projects undertaken.

CANADA'S BALANCE OF PAYMENTS

Exceptional imbalance on current account and large inflows of capital for long-term investment were again in 1957 the outstanding features of Canada's balance of payments, according to a recent report of the Dominion Bureau of Statistics. The current account deficit rose to a new high of \$1,400 million in 1957 from \$1,366 million in 1956. This is the amount by which Canadian expenditures in other countries on goods and services exceeded Canadian receipts from the sale of exports of goods and services. The deficit in 1957 was double that in 1955 which in turn was higher than in any earlier year. At the same time capital inflows of the longer term variety totalled \$1,307 million, providing financing for most of the deficit.

Current deficits and capital movements of these magnitudes are closely related to high levels of economic activity and to the pressures of demands associated with the exceptional rate of growth and of investment outlays characteristic of the Canadian economy in recent years.

Although the current deficit rose only slightly in 1957, this was the result of more significant changes in the underlying sources. The import balance on merchandise account fell \$149 million from \$728 million to \$579 million, but this was more than offset by a rise of \$183 million in the deficit from non-merchandise transactions from \$638 million to \$821 million. The reduced merchandise balance was due to a decline in imports combined with a rise in exports. The greatest decline in imbalance on merchandise trade occurred in the final quarter of the year, whereas there was a continued increase in the deficit from all other current transactions throughout the year. This was distributed among a variety of groups of transactions but the rise was particularly significant in income payments and in payments for transportation and business services, and in larger official contributions by the Canadian Government. There was also a notable decline in receipts on defence account with the completion of some defence installations in northern Canada. Gross current transactions were slightly higher in value in 1957 than in 1956 in the case of both receipts and payments.

Wide imbalance from transactions with the United States was again the major source of the current deficit, although there was a small decline in imbalance with that country to a deficit of \$1,551 million. This decline in 1957 was less than a relatively large contraction in the current surplus with overseas countries to \$151 million, the lowest since 1950.

Inflows of capital for long-term investment were in 1956 and 1957 much higher than in any earlier year, although inflows in these forms

in the latter year at \$1,307 million were less than the total of \$1,423 million in 1956. Insufficient capital in Canada to finance the great volume of investment in the country was again an underlying factor, but some moderation in financial pressures occurred and there was a contraction in inflows in the latter part of 1957 from peak levels in the first half. About one-half of the drop in 1957 was in inflows for direct investment in Canada. Most of this decline was concentrated in capital for manufacturing, with inflows for resource development continuing high and constituting the major part of direct investment inflows. On the other hand, inflows from transactions in portfolio securities were higher with a rise in borrowing abroad through sales of new issues of Canadian securities. The latter more than offset reduced inflows of capital into outstanding Canadian securities. The remaining contractions in inflows occurred in repayments on government loans and in certain non-recurring types of long-term inflow. The outflow of capital in connection with Canadian direct investments abroad was considerably less in the latter year.

In addition to the above inflows of non-resident capital there were substantial reinvestments in Canada by non-residents of earnings on investments. Profits retained on foreign direct investments in Canada are estimated at \$2,645 million in the period from 1946 to 1956, rising to a peak of some \$435 million in 1956. In 1957, however, earnings were lower while dividends rose and it is clear that retained earnings dropped significantly in 1957. These figures do not include earnings retained on foreign portfolio investments in Canada which in some recent years were approaching \$100 million.

INVESTMENT POSITION

Canada is by far the world's largest importer of private long-term capital, and the inflows of capital in recent years have added unprecedented amounts to Canada's external liabilities. These investments have contributed to a rapid rate of growth in the Canadian economy, particularly in the exploitation of natural resources, and they have added significantly to Canadian production, employment, and incomes. They have at the same time added substantially to the burden of Canada's external debt and to the proportion of Canadian industry controlled by non-residents.

Canada's net external indebtedness at the end of 1957 was \$11.0 billion, which was exclusive of short-term commercial liabilities amounting to some hundreds of millions of dollars. This net indebtedness has practically tripled in the eight years since 1949, and is 70 per cent higher than the amount at the end of the great investment boom of the twenties.

At the end of World War II Canada's net international indebtedness was \$3.9 billion, and the increase since that time is \$7.1 billion.

The most important factor contributing to the growth of Canadian external indebtedness has been a rapid rise in non-resident owned long-term investments in Canada. These amounted to \$17.1 billion at the end of 1957, having more than doubled since 1949, and they accounted for most of the gross liabilities of \$18.5 billion shown in the balance indebtedness. Direct investments in Canadian enterprises controlled by non-residents were approaching \$10 billion in book value at the end of 1957 and equity portfolio investments exceeded \$2.5 billion. The high proportion of non-resident owned investments in Canada which represent ownership in Canadian enterprises rather than debt is one of the outstanding features of Canada's international investment position. But the last few years have also seen recourse to foreign capital markets by Canadian borrowers on a significant scale, and portfolio holdings abroad of Canadian bonds and debentures in 1957 passed the levels of the early thirties.

Long-term investments in Canada by non-residents grew by about \$1.5 billion or 10 per cent during 1957. This followed the unprecedented increase of \$2.1 billion in 1956 which represented a growth of 15 per cent in the single year. In the five years ending with 1957 these investments have increased in value by about two-thirds. The over-whelming part of this growth was from the United States which accounted for 73 per cent. Growth of British investments in Canada accounted for 15 per cent of the total increase, and growth of investments of other overseas countries for 12 per cent.

The dependence of Canada upon the United States as a source of external capital has increased in recent decades, and United States owned investments of \$12,900 million in 1957 now account for 76 per cent of all non-resident owned long-term investments. This proportion has risen from 61 per cent in the early thirties. United States investors now own nearly 80 per cent of external portfolio holdings of Canadian bonds and debentures compared with nearly 60 per cent in the earlier period, and their share of direct investments and equity portfolio investments has risen from about two-thirds to more than three-quarters of the total. British investments account for 17 per cent and other countries for 7 per cent of all non-resident owned investments in Canada.

In the five-year period since 1952 United States long-term investments in Canada increased 61 per cent, British investments 55 per cent and other overseas countries investments 156 per cent. In 1957 the most rapid rate of growth was in the other overseas group which increased 16 per cent to \$1,285 million.

British investments increased 10 per cent and United States investments 9 per cent.

While long-term investments in Canada by residents of the United States and of overseas countries other than the United Kingdom have each been reaching successive new records for some years, recent rapid growths of British investments in Canada to \$2,915 million in 1957 have only recently overtaken in value the levels estimated to have been reached at the time of World War I, and again in the early thirties.

Over the period 1950 to 1955 Canada's net use of foreign resources amounted to one-fifth and direct foreign financing to one-third of net capital formation. And for the years 1956 and 1957, during which tremendous capital formation occurred, these ratios rose to one-third and more than two-fifths, respectively.

FOREIGN OWNERSHIP & CONTROL

The proportion of the manufacturing, mining and utilities industries taken as a group which are non-resident owned has remained relatively unchanged at 32 per cent since the estimate for 1948. But foreign ownership of manufacturing (including petroleum refining) has risen in this period from 42 per cent to 49 per cent, or by about one percentage point each year. Mining and smelting (including petroleum exploration and development companies) owned by non-residents has grown from 39 per cent in 1948 to 62 per cent of the total industry in 1955 or by an average of some 3 percentage points each year. But the relative decline in non-resident ownership of railways and other utilities has been sufficient to maintain a stable ratio of 32 per cent for non-resident ownership of all these industries. Ownership by residents of the United States accounted for 25 per cent.

In contrast to the relative stability of foreign ownership of these industries taken as a whole, there has been a sharp growth in the proportions controlled by non-residents. For the group, the proportion has risen from 25 per cent in 1948 to 30 per cent in 1955; these ratios are both greatly reduced by the inclusion of railways and other utilities large parts of which are government enterprises. For manufacturing (including petroleum refining) the proportion controlled by non-residents rose from 43 per cent in 1948 to 57 per cent in 1955, and in the case of mining and smelting (including petroleum exploration and development companies), the increase was from 40 per cent to 66 per cent of the total.

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ATTENDANCE RECORD

A new attendance record was set at the National Parks of Canada this summer when a total of 3,311,928 visitors entered the 18 scenic parks across Canada during the five

month period from April 1 to August 31. This was 253,676 more visitors than were recorded during the same period of 1957.

Parks showing the largest increases were Waterton Lakes National Park, Alberta, with a gain of 63,000; Fundy National Park, New Brunswick with an increase of 36,188 and Kootenay National Park, British Columbia, and Elk Island National Park, Alberta each with gains of over 32,000 visitors.

Attendance at Canada's national historic parks and sites also showed a substantial increase during these months with a total of 390,799 visitors recorded, an increase of 78,167 over last year's attendance figures.

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WHEAT TO PAKISTAN

Canada has agreed to provide Pakistan with \$2 million worth of wheat as part of the Colombo Plan programme for the current year, the Secretary of State for External Affairs announced on November 5. The Government of Pakistan requested this wheat as a matter of urgency to meet serious food shortages and has offered to establish local rupee counterpart funds, equivalent to the value of the Canadian wheat allocation. These counterpart funds will be spent in due course on economic development projects in Pakistan to be agreed upon by the two Governments.

It is expected that most of the 1.1 million bushels of wheat represented by this allocation will be shipped before the St. Lawrence freeze-up.

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MANUFACTURING IN QUEBEC

A record output of \$6,622,502,699 was set in 1956 for the gross value of manufactured goods shipped from Quebec factories, according to the Dominion Bureau of Statistics' annual review. This was an increase of 11.8 per cent over the 1955 total of \$5,922,367,074 and reaffirmed Quebec's status as the second largest industrial province of Canada. Employment increased 3.9 per cent to 445,137 from 429,575, while payrolls of \$1,396,414,564 reached a new high. Materials used in manufacturing totalled \$3,605,521,666, reaching beyond the 1955 total of \$3,152,541,331 to a new record. The number of establishments dropped 82, to 12,112 and reversed the rising trend established in 1948.

Although all statistics for 1956 showed increases over 1955 except the number of establishments, it was notable that the rise in the number of employees compared to the output was at a much slower rate. Increasing technology and automation permitted the value of production to increase 22.9 per cent in 1956 over 1953 with an increase of only 1 per cent in the number of employees.

Pulp and paper production of \$617,986,499 in 1956 was closely followed by non-ferrous metal smelting and refining \$610,354,584, and other leading industries such as petroleum products, miscellaneous electrical apparatus and supplies, slaughtering and meat packing, clothing manufacture, tobacco products, and transportation equipment. Over the past twelve years these industries have spread to many smaller settlements in addition to expanding in the metropolitan areas. There are now 55 major pulp and paper plants operating, mainly in the Trois Rivières and Shawinigan Falls districts, as well as along the Saguenay, Ottawa, and St. Lawrence Rivers. Aluminum production has made impressive strides and a record of 620,321 tons were produced in 1956. Two of the current major developments in Quebec are the Ungava iron ore project and the new titanium industry. The former project gives promise of ensuring a great future for the steel industry.

Quebec's industries, while not as diversified as those of Ontario, account for major contributions to the economy and some industries dominate their fields in Canada. Tobacco, cigars and cigarettes make up 93 per cent of the Canadian output, women's factory clothing 70 per cent, cotton yam and cloth 68 per cent, men's factory clothing 56 per cent, and synthetic textiles and silk 52 per cent. Other leading provincial industries such as miscellaneous electrical apparatus and supplies, non-ferrous metal smelting and refining, pulp and paper production, railway rolling stock, miscellaneous chemical products, and brass and copper products, all contributed over 40 per cent of the national output.

Some of the smaller industries also pre-dominated. Candle production was 95.2 per cent of that national total, men's clothing 94 per cent, women's clothing 82 per cent, cotton thread 80 per cent, children's clothing 77 per cent, oiled and waterproofed clothing 75 per cent, dyeing and finishing of textiles 75 per cent, oilcloth, linoleum and other coated fabrics 73 per cent, narrow fabrics 72 per cent, process cheese 71 per cent, lasts, trees, and shoe findings 70 per cent, boot and shoe findings of leather 69 per cent, artificial flowers and feathers 68 per cent, miscellaneous textiles 61 per cent, fur goods 60 per cent, corsets 58.5 per cent, buttons, buckles and fasteners 52 per cent, asbestos products 50.5 per cent and woollen cloth 38 per cent.

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SURFACED HIGHWAYS IN 1957

Surfaced roads in Canada at the end of 1957 amounted to 231,044 miles, some 21,716 miles or 10.4 per cent greater than the year-earlier total of 209,328 miles, the Dominion Bureau of Statistics reports in an advance statement. Mileages were greater in all provinces at the

end of 1957 compared to a year earlier. Mileage in the Yukon and Northwest Territories was smaller owing to the deletion of duplication of mileage of the Alaska highway in 1957.

Total surfaced mileage for the provinces and territories at the end of 1957 in order of magnitude was (1956 figures in brackets): Ontario, 66,288 miles (65,723); Alberta, 40,128 (35,715); Quebec, 38,678 (32,088); Saskatchewan, 35,540 (27,065); British Columbia, 14,654 (13,874); New Brunswick, 13,128 (13,063); Nova Scotia, 9,592 (9,441); Newfoundland, 3,319 (2,826); Prince Edward Island, 2,176 (2,020); and the Yukon and Northwest Territories, 2,148 (2,699).

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WORKS PROGRAMME

The Minister, Mr. Alvin Hamilton, has announced a programme of special works totalling over \$12,000,000 that will be undertaken by the Department of Northern Affairs and National Resources. It is expected to provide more than 32,000 man-months of employment during the coming winter and spring.

The Department will be conducting a programme of major works in the National Parks and in Northern Canada and, in addition, will be administering for the Federal Government the co-operative programmes with the provinces for forest access roads, for campgrounds and picnic areas throughout the provinces and for the special campground-picnic area projects along the Trans-Canada Highway.

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PRINCE ALBERT BRIDGE

Mr. J.T. Douglas, Minister of Highways and Transportation for the Province of Saskatchewan, and Mr. Alvin Hamilton, Minister of Northern Affairs and National Resources for Canada, have announced the signing of an agreement for the construction of a four-lane traffic bridge over the North Saskatchewan

River at the City of Prince Albert. This structure will replace existing traffic lanes on a railway bridge, and will fulfill a long-felt need and increasingly urgent requirement in Northern Saskatchewan.

The Saskatchewan Department of Highways will be responsible for design and supervision of construction, and the estimated \$2.5 million cost will be shared, 50 per cent by the Government of Canada, 37.5 per cent by the Government of Saskatchewan and 12.5 per cent by the City of Prince Albert. The City of Prince Albert and the Government of Saskatchewan will share equally in necessary improvements to approach roads to this new bridge.

Contingent on river conditions, it should be possible to make a modest start on the structure before the spring break-up in 1959, and it is expected that the structure will be open to traffic in the fall of 1960.

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NEW AMBASSADORS

The Secretary of State for External Affairs has announced the appointment of Mr. R.P. Bower, who until recently has been Ambassador to Venezuela, as Ambassador to Argentina, to succeed Mr. L.P. Picard.

On November 5, His Excellency, Commodore Marcelo Aubone presented to the Governor General his letters of credence as Ambassador Extraordinary and Plenipotentiary of Argentina to Canada.

His Excellency, Brigadier General Luis Ernesto Ordonez presented to the Governor General his letter of credence as Ambassador Extraordinary and Plenipotentiary of Colombia to Canada on November 3.

The ceremonies took place at Government House. The Under-Secretary of State for External Affairs, Mr. N.A. Robertson, was in attendance on the Governor General on both occasions. The chief of Protocol, Mr. H.F. Feaver, presented the Ambassadors to the Governor General.

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