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THE CRISIS IN THE MIDDLE EAST

The following passages are excerpts from a statement by the Secretary of State for External Affairs, Mr. Paul Martin, at the fifth emergency special session of the United Nations General Assembly on June 23:

...Canada, as a member of the Security Council, joined Denmark in calling the Council together on May 24 to deal with the deteriorating situation in the Middle East. It is a sad misfortune that the Council was not able to act at that time. Nevertheless, it remains seized of the situation and I note in this respect references to the Council in the draft resolutions introduced by the U.S.S.R. and the U.S.A. We contributed to the decisions of the Security Council calling for a cease-fire. Failure of a particular resolution should not have led in our judgment to the interruption of the Council's work. We had ourselves put forward a resolution relating to the implementation of the cease-fire and were in the process of revising this resolution in consultation with others when this special session was requested. In our view, these consultations should continue. The Security Council should deal with the resolutions before it. As we have often been reminded, the Council has primary responsibility for the maintenance of peace and security. Here, in this Assembly, I should hope that we could establish some guidelines to assist the Council when it resumes its work.

The roots of this crisis go deep. Its development has been complex. No one government can, in our view, be held wholly responsible for what has happened, and impartial reports of the Secretary-General support this assessment. It was on the

basis of those reports that we were concerned first to prevent the conflict, then to stop it, and, now, to find the basis for a just and lasting peace.

BASIS OF PEACE IN MIDDLE EAST

In 1948-49 and in 1956-57, the Canadian Delegate at the Assembly emphasized that the peace and security of the Middle East depended primarily on the recognition of two facts: the first was that the new state of Israel had been born and that, in part at least, it owed its existence as a member of the international community to a recommendation of this Assembly approved by two-thirds of its members; the second was the obligation of the State of Israel, to quote the Canadian representative speaking on November 22, 1948, to "place self-imposed limits on its demands". Mr. Pearson, then Secretary of State for External Affairs, stated here ten years ago: "We cannot but agree that, if Israel has a right to live and prosper free from fear of strangulation from its neighbours, the Arab states also have a right to feel confident that Israel will not attempt to expand its territory at their expense."

These expectations remain valid. They must be the basis on which peace and security is built in the Middle East. We shall continue to do our part both as a member of the Security Council and as a participant in the efforts of the United Nations to keep peace in the area to have them recognized and implemented. The international community has a right to expect that the parties to any dispute will make their best efforts, as they are required to do under the Charter, to find a peaceful means of settlement.

At the same time, the United Nations has a responsibility to offer its services and, if necessary, to point the way towards such a settlement. In any event, this is the context in which my Government will judge the specific issues before us.

CANADIAN POSITION CONSISTENT

The position of Canada remains the same on these issues as it was in 1957. On January 18 of that year, we stated in the Assembly that "there must be no return, if we can avoid it, to the conditions which helped provoke the initial military action". On that occasion, Mr. Pearson recalled an earlier intervention in which he was even more specific. This is what he said:

"What then - six months from now? Are we to go through all this again? Are we to return merely to the *status quo ante*? Such a return would not be to a position of security - but would be a return to terror, bloodshed, strife, incidents, charges and counter-charges and ultimately another explosion..."

It follows that Canada cannot support the resolution which was introduced by the Chairman of the Council of Ministers of the U.S.S.R. on June 19. That resolution would take us back to the same situation which led to the outbreak of the war. It was only a few short weeks ago that Canada and other members of the Security Council attempted to convince the Council that it should appeal to the parties to exercise restraint and to prevent the outbreak of war. Failure to take action then contributed to the tragic events which have since engulfed the Middle East. We must do all we can to prevent them happening again.

To this end, I would make an urgent appeal to all concerned to put the common interest of all the peoples of the Middle East in peace and a better life above all else. It is not by condemnation and vituperation that the United Nations can find a way out of the maze of hostility, suspicion and fear; it is by insisting that each party has the right to live in peace and security without fear of attack and by finding appropriate ways to guarantee this assurance. Military solutions to political problems are unacceptable. But one-sided political solutions are no solutions at all.

UN GUIDANCE TO DISPUTANTS

We all seek, I assume, a peaceful and just solution. The chief responsibility for finding that solution must rest with the parties to the dispute. This organization however, must help them to find it. I envisage two stages during which the United Nations might lend its assistance. Two United Nations bodies, the UN Relief and Works Agency and UNTSO, are still actively at work amongst the refugees and observing the cease-fire. They will continue to have an indispensable contribution to make. UN military observers, to whom I wish to pay special tribute, have already played a valuable role in observing the cease-fire and in reporting to the Secretary-General. I should expect them to exercise a continuous responsibility as the withdrawal of Israeli forces takes place, particularly if arrangements can be made for this withdrawal which will result in demilitarized zones on both sides of the borders.

Since the inception of the UN Relief and Works Agency for Palestinian Refugees, the Canadian Government has consistently been among the highest contributors to that Agency. We have provided transportation facilities, food relief and funds for use by the Red Cross. The Canadian Government will be glad to consider provision of further assistance to the Agency for purposes of rehabilitation and reconstruction when a precise determination of needs becomes available.

Another United Nations body which is still extant is the Palestine Conciliation Commission. The function of conciliation is bound to be a vital one during the first stage on the road to a permanent settlement. Whether or not the Commission is the right organ to perform this function without changes being made both in its mandates and in its membership or whether a different procedure might be envisaged, perhaps in the form of a special representative of the Secretary-General, I do not wish to say with certainty. Yet, some UN agency or representative will be required, I believe, to maintain full contact with all governments concerned and to prepare the way for subsequent negotiations looking towards a permanent peace.

PRINCIPLES FOR PEACE

I have been speaking of what are essentially means to an end. If peace and security in the area are to be assured, the withdrawal of Israeli forces, vital as it is, must be related to the other basic issues involved. There are a number of requirements essential to any enduring settlement which have already been mentioned by a number of distinguished statesmen. I would emphasize the following general principles:

First, respect for the territorial integrity of the nations of the area, including provision for the security and the international supervision of frontiers.

Secondly, the rights of all nations to innocent passage through international waterways must be assured.

Thirdly, there must be an early and just solution of the refugee problem.

Fourthly, international concern for the preservation of special spiritual and religious interests in Jerusalem (Christian, Jewish and Moslem) must be recognized perhaps by giving the United Nations an international supervisory responsibility for protection of these interests; nor should there be any precipitate action which might prejudice them.

CO-OPERATION OF GREAT POWERS

It may be asked whether the approach I have outlined is realistic and whether the objective of permanent peace in Palestine is still not as difficult or impossible of accomplishment as it was in 1947. There is no doubt in my mind that the permanent members of the Security Council must work together if any settlement is to be durable. I recall that, 20 years ago, both the U.S.A. and the U.S.S.R. supported the Assembly resolution for the partition of Palestine. Events then took a different course. But there have been more recent examples of co-operation between the great powers on this issue, most notably the five resolutions adopted by the Security Council earlier this month. Two of these great powers are

CANADA-U.S. MINISTERS MEET

The eleventh meeting of the Joint Canada-United States Ministerial Committee on Trade and Economic Affairs was held in Montreal from June 20-22.

Since the U.S. Secretary of State, Mr. Dean Rusk, and Canada's Secretary of State for External Affairs, Mr. Paul Martin, were attending the emergency session of the United Nations called to deal with the crisis in the Middle East, the U.S. delegation was led by Secretary of the Treasury Henry H. Fowler, and the delegation from Canada by Mr. Robert H. Winters, the Minister of Trade and Commerce.

The U.S. delegation also included: the Ambassador of the United States to Canada, Mr. W. Walton Butterworth; the Secretary of Agriculture, Mr. Orville L. Freeman; the Secretary of Commerce, Mr. Alexander B. Trowbridge; the Under-Secretary of the Interior, Mr. Charles F. Luce; and the Chairman of the President's Council of Economic Advisers, Mr. Gardner Ackley; and the Assistant Secretary of State for Economic Affairs, Mr. M. Solomon. The other members of the Canadian team were: Finance Minister Mitchell Sharp; Industry Minister C.M. Drury; Energy, Mines and Resources Minister Jean-Luc Pépin; Agriculture Minister J.J. Greene; the Governor of the Bank of Canada, Mr. Louis Rasminsky; and Mr. A.E. Ritchie, Canadian Ambassador to the United States.

CURRENT ECONOMIC DEVELOPMENTS

The Committee reviewed the success achieved in both countries in moderating excessive demand pressures during the past year, noting that a more dynamic pace of expansion of real output was to be expected. Recovery of the residential construction industry, an end to the inventory correction, modest expansion of private investment expenditures, higher federal, state and local government purchases and renewed vigour in consumer spending were cited as the major anticipated sources of strength in the U.S. outlook for the coming year. Similar forces were also expected to lead to stronger growth in Canada. The Committee emphasized the need for flexible and responsible fiscal policy in both countries.

BALANCE OF PAYMENTS

United States members reiterated the continued determination of the U.S. to make as much progress as the costs of the war in Vietnam permitted toward equilibrium in U.S. world-wide balance-of-payments. The Committee discussed movements of capital between the two countries and noted the benefits of access by Canadian borrowers to the United States capital market.

NEW ENVOY TO NIGERIA

Mr. Paul Martin, Secretary of State for External Affairs, has announced the appointment of Mr. Thomas Paul Malone as the new Canadian High Commissioner to Nigeria. Mr. Malone, at present Ambassador to Iran and Iraq, replaces Mr. John H.

TRADE WITH DEVELOPING COUNTRIES

Special attention was given to trade problems of the developing countries. The Committee recognized the importance of positive and constructive measures in support of efforts by the developing countries to accelerate their own economic development. This will be the main theme of the second United Nations Conference on Trade and Development early next year.

The Committee was concerned about the failure of development-aid to keep up with the growing requirements of the developing countries, and agreed that early replenishment of International Development Association resources must have a high priority.

IMPORTANCE OF CANADIAN OWNERSHIP

United States members were concerned over those aspects of the Canadian Bank Act which, in their view, have the effect of discriminating retroactively against a bank in Canada owned in the United States. Canadian Ministers took a different view of the effect of the Bank Act, and stressed the importance of effective Canadian ownership of major financial institutions. They reiterated Canada's intention to encourage increased participation by Canadians in the ownership and control of Canadian industry while continuing to maintain a hospitable climate for foreign investment.

Canadian members also drew attention to the problem arising from the effect which certain United States laws and regulations may have upon Canadian companies, especially regarding securities regulations and foreign-assets control, but they noted that good progress had been made in dealing with particular aspects of this problem. The Committee agreed on the desirability of an exchange of information on securities that would benefit investors in both countries.

OTHER TOPICS

The Canada-U.S. Auto Agreement was discussed by the Committee, as well as energy resources; bilateral questions; free trade in agricultural machinery; U.S. copyright legislation; the relaxation of restrictions on U.S. imports of Canadian cheese; trade in lead and zinc; the Saint John River development; and improvements to the Alaska Highway.

Meetings of the Joint Ministerial Committee are usually held alternately in Ottawa and Washington but on this occasion because of Canada's centennial, the recent meeting was held in Montreal, which gave members of the Committee an opportunity to visit Expo '67.

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Cleveland who was recently appointed as Ambassador to Colombia with concurrent accreditation to Ecuador.

Mr. Malone joined the Department of External Affairs in 1946, and has served in posts in Canberra, Washington and The Hague before being appointed as Ambassador to Iran and concurrently to Iraq in 1962.

CANADIAN CRAFTS COMPETITION

Canada Crafts '67, a national competition-exhibition, participated in by hundreds of amateur and professional craftsmen throughout Canada, was opened recently by Mr. Jean Marchand, the Minister of Manpower and Immigration, in Montreal.

Out of some 700 items by 460 craftsmen, the jury chose about 100 to make up the exhibition, which will remain open until August 24.

Prizes of \$100, \$50 and \$25, to a total of \$1,755, were awarded for the outstanding articles in some 12 categories.

COMMENTS OF JURORS

The jury, which was composed of Paul Smith, director of the Museum of Contemporary Crafts, New York, Jacques de Tonnancour, Canadian painter and teacher, and Moncrieff Williamson, director of the Confederation Art Gallery and Museum in Charlottetown, Prince Edward Island, felt that the quality and execution of textiles - weaving, batiks and hangings - was particularly outstanding. Many of the items not accepted for the exhibition were, they felt, technically competent but unrelated to the world of today. "We looked for originality, workmanship and appropriate use of the chosen material," Mr. Williamson said. The jury felt that, though many of the works submitted were of excellent craftsmanship, their major fault was in the lack of originality and creativeness.

Mr. de Tonnancour said that the most successful works had a feeling of truth, while Mr. Smith noted that few new materials had been used in the articles submitted. He would, he said, have been pleased to see craftsmen using the plastics available today.

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EDUCATING INDIAN CHILDREN

Indian Affairs Minister Arthur Laing has announced the signing of an agreement between the Federal Government and the Northern School Board of Saskatchewan for the education of Indian children in provincial schools located in the northern part of the province. Mr. Laing said the pooling of federal-provincial resources would greatly facilitate the education of Indian students in that area of Saskatchewan.

The Minister explained that the Federal Government had agreed to share, on a *pro rata* basis, capital costs of all classrooms and teachers' houses erected in the area, and would pay the tuition fee for each Indian child enrolled.

"With the consent of Indian parents, increasing emphasis is being placed on the attendance of Indian children in schools with non-Indian students whenever the necessary agreements can be negotiated with the provinces and school boards," Mr. Laing said. There are about 30,000 Indian children, or over 47 per cent of all Indian students, attending more than 1,000 provincial schools throughout Canada at present.

CADETS COMPETE AT BISLEY

Twelve members of the Royal Canadian Army Cadet Bisley rifle team will compete against British cadets in the ninety-eighth annual rifle meet at Bisley, England from July 17 to 29. They were chosen from those who participated in the cadet shoot at the Dominion of Canada Rifle Association matches last summer at Connaught Ranges, near Ottawa.

Accompanied by a commandant and an adjutant from the regular army and a team coach from the Cadet Services of Canada, the team will fly on July 10 to Lahr, Germany, and will travel from there to Bisley Camp, Brookwood, a small town in Surrey 15 miles southwest of London.

After the Bisley matches, the cadets will visit points of interest in Britain and continental Europe, including the station in Germany of the 4th Canadian Infantry Group.

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MINOR LAG IN TRADE BALANCE

The Dominion Bureau of Statistics issued a statement recently to correct an impression made in the financial press that Canada's trade surplus in 1966 might be turned into a deficit when anticipated revisions were made to the external trade statistics.

DBS trade experts stated that there was no basis for predicting a revision of such magnitude, though there was reason for anticipating some revisions to the trade balance. These revisions, they said, would be necessitated by a lag during the 1966 fiscal year in the receipt by the Bureau of import documents from an important customs port. The effect of this lag upon the trade balance last year could not yet be closely measured, but it was apparent that the balance of trade would remain a large item, though reduced significantly from the previous estimate.

The effect of the lag upon the gross value of imports last year would, the experts added, be relatively minor upon such a large total - possibly no more than 1 or 2 per cent.

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YUKON HYDRO SURVEY

Mr. Arthur Laing, the Minister of Indian Affairs and Northern Development, announced recently that the Treasury Board had approved a \$84,500-contract to survey and assess the hydroelectric potential and the future hydro needs of the Yukon Territory.

The region to be surveyed has a radius of 175 miles and is located in the mineral-rich central Yukon.

"Hydro projects are not planned and built overnight," said Mr. Laing. "We are looking ahead to help ensure that no important resource-development project will be hampered through lack of an adequate supply of electric power at a cost that is economically feasible."

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FOREIGN STUDENT SURVEYORS

The first group of students from underdeveloped countries to take part in a special practical course in surveying arrived in Canada recently. Twenty-nine students from developing countries in Asia, Africa and the Caribbean will spend the summer working, under the sponsorship of the External Aid Office, in the upper Ottawa Valley region of Ontario with instructors from the Department of Energy, Mines and Resources.

Their training will range from basic instruction in the use of surveying instruments to the complex job of planning, organizing and executing specific field-survey and mapping projects. The various projects will require them to travel in teams of from two to six.

PILOT PROJECT

The course is a pilot project for similar courses the External Aid Office is planning in this sphere. In previous years, students have been attached to survey parties to gain practical experience during the summer months; the new course is designed to give trainees more opportunity of handling equipment and applying the theory they have studied at Canadian educational institutions.

The majority of the students are working toward a bachelor of science degree at the University of New Brunswick.

The countries represented by the students are Nigeria, Kenya, Zambia, Tanzania, Uganda, Malawi, Lesotho, British Honduras, Barbados, St. Vincent, Antigua, Jamaica, St. Lucia and Thailand.

INTERNATIONAL PAYMENTS

Canada's deficit on international current-account transactions of \$340 million in the first quarter of 1967 was \$65 million, or 16 per cent lower than \$405 million for the corresponding quarter of 1966, but was about the same magnitude as the average first quarter deficit for the Sixties. Total receipts from the sale of current goods and services to the rest of the world gained \$451 million, or 16 per cent, to \$3,202 million during the first quarters of the two years. Total payments did not rise as much over this period, increasing by \$386 million, or 12 per cent, to \$3,542 million.

The net inward movement of foreign capital totalling \$327 million almost fully covered the current-account deficit for the first quarter, and capital inflows in long-term forms predominated. Canada's official reserves declined slightly in the January-March quarter.

TRADE WITH U.S.

In transactions with the United States, total receipts expanded \$325 million, or 19 per cent, from \$1,684 million to \$2,009 million and total payments increased \$276 million, or 12 per cent, from \$2,290 million to \$2,566 million. The current-account deficit accordingly declined from \$606 million to \$557 million during the first quarters of 1966 and 1967. The im-

provement was derived entirely from merchandise trade, with the import balance contracting \$57 million, or 20 per cent, from \$292 million to \$235 million. Merchandise exports gained over 20 per cent from \$1,353 million to \$1,659 million, while merchandise imports rose 15 per cent from \$1,645 million to \$1,894 million. The deficit on non-merchandise transactions widened moderately from \$314 million to \$322 million. All the items shared in this slight deterioration, except interest and dividends.

TRADE WITH BRITAIN

Canada's surplus on current transactions with the United Kingdom rose \$22 million, or some 20 per cent, from \$106 million to \$128 million during the first quarters of the two most recent years. Total receipts rose \$22 million, or 6 per cent, from \$350 million to \$372 million, while total current payments were unchanged at \$244 million. This improvement was distributed evenly between merchandise and "invisible" transactions.

OTHER COUNTRIES

Total receipts from other countries advanced \$104 million, or about 14 per cent, from \$717 million to \$821 million, while total payments increased \$110 million, or roughly 18 per cent, from \$622 million to \$732 million, in the first quarter of 1967. The current-account surplus with other countries declined \$6 million to \$89 million. This small deterioration was attributable to a widening in Canada's deficit with other countries on non-merchandise transactions from \$73 million to \$89 million with the rise in official contributions accounting for more than the increase in the net service payments. The increase in the value of wheat clearances alone, to other countries outside the sterling area and the OECD group, accounted for about half of the export gain of \$80 million from \$587 million to \$667 million. The trade surplus increased \$10 million to \$178 million as merchandise imports rose from \$419 million to \$489 million.

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(Continued from P. 2)

members of the Palestine Conciliation Commission. Indeed, it was the permanent members who were responsible for selecting the Commission. That is the kind of precedent that I hope will be followed again.

There are other possible areas of co-operation between the permanent members that remain to be explored. One would be an agreement to control the flow of arms to the Middle East. An all-important by-product of such an arrangement would be the application to economic and social development of some of the resources otherwise spent on maintaining substantial armed forces. It seems self-evident that shipments of food are more important than shipments of arms. The Canadian Government, for its part, will continue its policy...of not sending military supplies to countries directly involved in this dispute.

PROBLEM OF REFUGEES

A vital step forward in the achievement of durable peace and stability in the Middle East is to ensure that justice be done to the Palestinian refugees. These people for too long have been the losers in the tragic conflict of interests in the area. The problem is, however, of such magnitude that only a combination of methods can produce a solution. It would be an illusion to go on believing that the problem of refugees will simply be solved on the basis of their return to Israel. Similarly, Arab states could not be expected to shoulder alone the burden of resettling and integrating in Arab countries those refugees who might make this choice. An international effort in a United Nations context directed at regional economic development in the Middle East and related to resettlement is a prime requirement, which members of the UN have an obligation to consider. Canada is prepared to play its part in such an international effort....

RISE IN LABOUR FORCE

Employment rose during April and May by an estimated 284,000 to 7,409,000, an increase above the average for this time of year. Unemployment declined less owing to an unusually large inflow to the labour market. At 304,000 in May, total unemployment was 61,000 lower than in April. The labour force increased by 223,000 to 7,713,000, during the month.

The labour force at 7,713,000 in May was 330,000, or 4.5 percent, higher than the figure for last year. Employment was up 273,000 over the year and unemployment was up 57,000.

EMPLOYMENT

Employment levels in all regions reflected the upswing in seasonal activity across the country.

During April and May, farm employment rose by 96,000 and non-farm employment rose by 188,000. Both these increases were above average for this time of year.

Some 137,000, or almost half the April-to-May increase in employment, was among persons under 25 years of age. Employment of persons 25 years of age and over increased by 147,000. For the 14-24-year group the gain was above average for the time of year; the increase was about average for those 25 years and over.

Employment was higher this year in community, business and personal service (142,000), transportation, communication and other utilities (53,000), manufacturing (48,000), and trade (33,000). There was a relatively small year-to-year decline in construction employment.

UNEMPLOYMENT

Unemployment declined by 61,000, to 304,000 during April and May. The drop was less than usual for the season, reflecting in part a larger-than-usual influx of students into the labour market. Unemployment among persons 14 to 19 years of age increased by 14,000 during the month. Among those 20 years of age and over, unemployment declined by 75,000, a somewhat smaller-than-usual decrease.

The unemployment total of 304,000 was 57,000 higher than in May 1966. Of this total, 236,000 were men and 68,000 were women. Unemployment was higher than the figure recorded a year ago for both groups.

Of the total number of unemployed, 207,000 or 68 per cent, had been unemployed for less than four months. Some 57,000 had been unemployed for four to six months and 40,000 for seven months or more.

Total unemployment in May represented 3.9 per cent of the labour force compared to 3.3 per cent in May 1966 and 3.7 per cent in May 1965. The seasonally-adjusted unemployment rate in May 1967 was 4.3 per cent.