



# Bulletin

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## CANADA'S NORTH AMERICAN ECONOMIC DIMENSION

The following passages are from an address by Mr. Jean-Luc Pepin, Minister of Industry, Trade and Commerce, to the "Canada Today" seminar in Houston, Texas on September 29:

...I hope to tell you today a little of what Canada is all about – economically speaking; how important the United States is to the Canadian economy – and, I hope, how very "interesting" we are to you; how exposed Canada is to every "move" made by your country...with particular reference to President Nixon's August 15 economic measures.

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What have Canadians got to contribute to Texas and the U.S.A. in the way of oil and gas equipment or technology? Because of our very special climate, we have developed excellence in polar technology; pipelining on the tundra; drilling; preservation of the ecology and general development of the Arctic regions, which will all be of interest to you because of Prudhoe Bay and the North Slope developments in Alaska. By the way, American companies are participating in two Arctic research projects in Canada, the Gas Arctic Project and the North West Project.

Several recent developments of world-wide application in petroleum technology are uniquely Canadian:

- (a) slim-line drilling and core-sampling techniques;
- (b) tracked vehicles for tundra and muskeg;
- (c) helicopter and air-cushion vehicle logistic applications for coping with transport over tundra;
- (d) the continuous sucker rod, which is being marketed in Texas;
- (e) a computer-controlled supervisory system for oil fields, which has been installed for a California firm by a Montreal manufacturer.

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Another interesting example of the Canadian contribution is in the field of hotels, hospitals and educational equipment. American and Canadian companies have collaborated on major projects in Canada, in the U.S. and in third countries. For example, in the Main Place complex in Dallas, Canadians were the project management consultants; in the Sheraton Hotel complex in Lima, Peru, Canadians are the project managers....

In educational equipment, 13 Canadian manufacturers participated in the exhibition of the American Vocational Association Convention in Dallas in December 1968. The results were exceptional. Several firms manufacturing electrical training and woodworking equipment are exporting more than half a million dollars a year; one manufacturer of work benches and steel lockers has set up a subsidiary in the U.S. and is enjoying sales of more than \$2 million.

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### CANADA-U.S. TRADE

Sticking to economics, are we aware enough of the close ties between our two countries?

(1) *We exchange goods* – to the extent of \$19.8 billion in 1970! Canadian exports to the United States last year totalled \$10.6 billion, or 65 per cent of our total exports. We, in turn, took \$9.2 billion, or 20.7 per cent, of your total exports. In the first eight months of 1971, Canada's shipments to the U.S. were 67.8 per cent of our total exports and, in the same

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period, Canada bought 22.7 per cent of your total exports.

Canada is the biggest – and best – customer of the United States by far. Looking at our situation from the supply side, the United States provides 72 per cent of our total imports and we supply you with 28 per cent of your total merchandise imports. In the first seven months of this year, our imports from your country (\$6 billion) were greater than the purchases of your next three best customers – Japan (\$2.36 billion), Germany (\$1.73 billion) and Britain (\$1.4 billion) – combined.

\* \* \* \*

(2) *We exchange technology.* You, of course, are the major source of technology for the Canadian industry. But we have made and are making useful contributions too. I have already mentioned a few in the oil equipment field, but I could add – short take-off and landing aircraft (STOL), which I was pleased to see in operation today by the Houston Metro Air Lines; small lightweight gas turbine engines, i.e., the PC twin PAC engines developed by United Aircraft (this is the engine which powers the Huey Helicopter manufactured by Bell); cobalt radiation units for the treatment of cancer; snowmobiles; microwave systems; nuclear reactors; hydro-electric equipment; forest fire-fighting machinery; hydrofoil ships; subway underground construction techniques; road and rail equipment; aerial surveys...A very recent development is a new laser beam which creates a temperature hotter than the sun's surface for half a microsecond....

\* \* \* \*

(3) *We exchange services.* In transportation – several U.S. carriers serve eight Canadian cities and two Canadian air carriers serve ten U.S. cities. Nearly 14,000 boxcars are in common service between our countries, about 10,000 Canadian in your country and 4,000 U.S. Canadian rails. In sports: we provide you with hockey players – you provide us with football and baseball players. In culture: your travelling road shows, ballet groups and symphony orchestras also visit the larger Canadian cities. You are by far our greatest source of supply of published works – in 1970 we bought \$168 million of your books and magazines. We exported to you in the same year only \$16 million of the same....

\* \* \* \*

(4) *We exchange capital.* The “book” value of U.S. direct investment in Canada at the end of 1970 was about \$21 billion. This is concentrated in the mining and manufacturing industries, and this control at the end of 1968 amounted to 51 per cent of all assets in the mining industry and 43 per cent in manufacturing. The degree of U.S. control in certain sectors of manufacturing is even higher, e.g., rubber products, 84 per cent; petroleum refining, 76 per cent; transportation equipment, 73 per cent. In the mining industry, the highest concentration of U.S. control is

in petroleum mining with 67 per cent. Canadians have invested in the U.S. more than \$3 billion. On a *per capita* basis, each American has invested in Canada about \$100 and each Canadian has invested in the U.S. approximately \$150.

(5) *We visit each other* – and that is a big item in our balance-of-payments figures. Last year we had more than 37 million visits from U.S. citizens and Canadians made nearly 36 million visits to your country (on the basis of ten to one population, you should have made 370 million visits). You spent \$1.08 billion in Canada last year and we spent \$936 million in the United States. On a *per capita* basis, this is \$5.40 expended *per* American and \$46.55 for each Canadian.

(6) *We exchange people.* Periodically, we have waves of emigration between our two countries. For example, the movement of French Canadians into the New England States has been a continuing process over many decades and estimates suggest that more than 2.5 million people – in New England only – are of French Canadian descent.

The “drain” of university graduates from Canada to the U.S. in the years after the Second World War was followed by the more recent inflow of U.S. professors to Canadian universities. In 1970, 15 per cent of all full time academic staff in Canada held U.S. citizenship.

\* \* \* \*

In 1970, 26,850 Canadians emigrated to the U.S. and 24,424 U.S. citizens emigrated to Canada.

(7) *We do economic things together* – so many that it would take hours to list them. We help to build U.S. commercial jetliners...and we buy them too. (Air Canada will take delivery of ten Lockheed *Tristar* aircraft in 1973 and 1974 and has an option to buy nine more.)

Your rockets launch our Canadian satellites (*Alouette* – research satellite; *ISIS* – research satellite; *ANIK* (to be launched late 1972), communications satellite).

We work together to contain and remove pollution from the Great Lakes (although we don't always agree on what causes it). Our labour unions work together (62 per cent of all unionized labour in Canada belongs to unions that are affiliated with unions in the U.S.).

Have I said enough to indicate the close ties in every sense between our two countries, to demonstrate the unique character of our economic relationship?

Decisions taken in the United States always had and will continue to have enormous impact on Canada's economic growth. Is it fair to treat us like any other foreign country?

\* \* \* \*

#### U.S. SURCHARGE

We do appreciate and are fully aware of the nature and seriousness of the balance-of-payments problems

## GOVERNOR GENERAL AT CHURCHILL FALLS



*Governor-General Roland Michener (left) and Brinco Chairman R.D. Mulholland admire the mighty Churchill River.*

Governor-General Roland Michener recently visited the Churchill Falls power project in Labrador, accompanied by General F.R. Sharp, chief of the Canadian Defence Staff, and by his Principal Secretary, Esmond Butler.

While the physical progress of the development was of particular interest to him, Mr. Michener took every opportunity to meet and talk with the men building the project.

Among Mr. Michener's hosts were Robert D. Mulholland, chairman of the board of Brinco Limited; Henry Borden, previous Brinco chairman and still a director; H.W. Macdonell, vice-president of Brinco

and of Churchill Falls (Labrador) Corporation; R.D. Boivin, CFLCo vice-president and project manager; and R.H.P. Thom, CFLCo's manager of operations.

The viceregal party arrived late on a Saturday morning and, after lunch and a project-briefing by Mr. Boivin, there was a helicopter tour of the transmission line, Jacopie spillway, Whitefish control structure, the forebay, intake structure and the main camp and townsite.

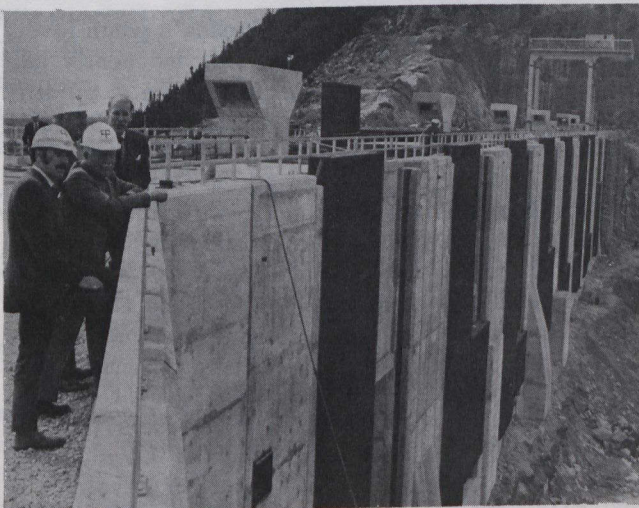
Underground, the group toured the east end of the powerhouse, walked through the transformer gallery, then proceeded to the west service bay in the powerhouse, and the surge chamber.

At the tailrace tunnels, where the discharged water from the powerhouse enters the lower Churchill River, Mr. Michener mounted a large mechanical shovel operated by Spino Construction. The Governor-General stood by the operator as he made several passes on the cofferdam.

From the tailraces the party returned to the top of the river bank to inspect the towers supporting the conductor cable for the 6,000-foot span across the Churchill River.

Later in the evening Mr. Mulholland and Mr. Borden presented Mr. Michener with a large, framed colour photograph of Churchill Falls. In return Mr. Michener presented the company with his official viceregal photograph, which will now hang in a place of honour.

The next day, the Governor General visited some of the main camp and community facilities. He inspected a bunkhouse, then toured the hospital. A tour of the town centre completed the Governor General's visit.



*The Governor General inspects the intake structure and its newly-installed trash racks, Churchill Falls project, Labrador.*

## LAPORTE COMMEMORATIVE STAMP



A special issue of 25 million commemorative stamps will be released by the Canada Post Office to honour Pierre Laporte, the former Quebec Labour Minister who was kidnapped and murdered last October by members of the Front de Libération du Québec (FLQ). The 7-cent issue in black and off-white, which will go on sale this month, marks the fiftieth anniversary of the year in which Mr. Laporte was born.

The design for the Laporte commemorative was created by George A. Gundersen of Ottawa from a photograph by Michel Giroux of Montreal.

The name of Pierre Laporte gained unexpected attention round the world when, in autumn 1970, the Quebec Labour Minister met his death at the hands of the terrorist kidnappers. He was abducted on October 10 by members of the FLQ while playing with his son and a nephew in front of his home in St. Lambert, Montreal. Several days later his murder was announced by the FLQ, bringing to an ugly climax the recent escalation of terrorist actions in Quebec and the neighbouring province of Ontario.

## CANADIANS IN NATO EXERCISE

The "most realistic manoeuvre of the year" for Canada's NATO forces in West Germany came to a successful conclusion recently, on an extended line a few miles east of the Danube near the city of Ulm, according to the judgment of officials summing up exercise "Gutes Omen" (Good Omen), one of the largest ever conducted by the German Army, involving more than 50,000 ground troops and airmen of the 4th Allied Tactical Air Force.

Three Canadian CF-104 *Starfighter* squadrons based at Baden Solingen, part of 4 ATAF, flew 265 missions in support of the Redland attacking force.

The "Gutes Omen" plot started with the usual conflict between two mythical countries, Redland and Blueland. Canadians were cast in the role of the "bad guys", along with a mountain division of the German Army's 2nd Corps.

Action began shortly after midnight on September 20, when the Canadian battle group spearheaded a thrust on the southern flank of the attacking Bluelanders. For the next 72 hours they fought their way through hilly, tree-covered countryside, grabbing sleep and quick snacks during lulls in the action.

Officials say that the steep, twisting roads criss-crossing the eastern edge of the Black Forest

proved to be "a tough challenge for both men and machines".

The Canadians smashed their way through the last of the opposing defences, and were the first "enemy" forces to reach the Danube and secure a crossing, one of the main objectives of the exercise.

Officials say that, at times, the battle group's advance was so fast and effective that, again and again, "it threw the exercise scenario for a loop". Then, they say, "much to the annoyance of the Canadians", umpires intervened to impose temporary restrictions on movement, to allow the plot to catch up to the action.

A total of 2,600 exercise umpires, wearing white armbands and riding in cars with white crosses, monitored every move of the two forces, "trying hard to keep the game honest".

More than 3,000 tracked and 10,000 wheeled vehicles supported the 50,000 troops, with 82 trains carrying men and equipment to and from the exercise area.

## OBSERVERS

During the early part of the manoeuvre the Canadian Minister of Defence, Mr. Donald S. Macdonald, observed the proceedings and spent a day with each of the battle groups and No. 1 Canadian Air Group.

At Baden, the Minister took to the air in a CF-104 *Starfighter* of 421 Squadron, flown by commanding officer Lieutenant-Colonel C.L. Viger. The close air-support mission included low-level attacks against targets of tanks and armour.

Other visitors included the Canadian Ambassador to West Germany, Mr. G.G. Crean, and the German Defence Minister, Mr. Helmut Schmidt. More than 100 reporters, including two from the Soviet Union, covered the progress of the manoeuvre.

## YOUTH OPINION ON DEVELOPMENT

"Ninety-seven per cent of Canada's youth favour assistance to developing countries, and nearly half believe that Canada should be giving more. A majority see such assistance not as a political tool but as a humanitarian obligation." These are among the findings of a survey released by the Canadian Council for International Co-operation, under the title *Youth on Development*. It is a sampling of opinion from 2,782 young Canadians between the ages of 15 and 25, who answered detailed questions about Canada's program of sending assistance abroad. The survey, the initial stage of which was commissioned by the Canadian International Development Agency, was carried out by a team of researchers from the Universities of Ottawa, Carleton and Laval, under the direction of Professor A. Schwarz of Laval.

The only survey of its kind in Canada, it was designed to discover what young Canadians know and feel about the issues of world development.

## STOP-SMOKING GRANT

The Minister of National Health and Welfare, Mr. John Munro, has announced an immediate 100 per cent increase in the budget of his Department's Smoking and Health Program.

"The Smoking and Health Program will now have an annual budget of \$350,000 as opposed to the previous \$173,000," Mr. Munro said. "This will allow for expanded research and education activities."

The Minister said that the increase indicated the importance his Department attaches to smoking and its hazards to health. He said he had been encouraged by proposals recently presented by the Canadian Tobacco Manufacturers Council.

"I have read with interest the decision of the tobacco manufacturers to take certain steps in regard to the dangers of cigarette-smoking," Mr. Munro declared. "I look upon them as worthwhile interim measures pending further Parliamentary consideration of Bill C-248, legislation affecting the promotion and sale of cigarette products."

"One of the manufacturers' proposals pleases me particularly. It is their decision to end broadcasting advertising January 1, 1972. That initiative, however, does not reduce the urgency of taking further steps to deal with this serious health problem."

The Minister said he was pleased to note that the tobacco companies agreed in principle with the use of a warning on cigarette packages.

"However," he added, "it would be most desirable in my view to use the warning, 'Danger to health increases with amount smoked. Avoid inhaling', and the statement of tar and nicotine levels proposed in Bill C-248. I believe both of these are key steps in helping smokers to reduce the hazards and I hope the companies will give the most serious consideration to their use."

### AIM OF NEW BILL

The Health Minister explained that Bill C-248 is designed to help the cigarette-smoker in a number of ways. It seeks:

- (a) a circumferential line on cigarettes to encourage smokers to throw away long butts;
- (b) a statement of tar and nicotine levels on packages;
- (c) a statement, "Warning - danger to health increases with amount smoked. Avoid inhaling", on packages;
- (d) maximum levels of tar and nicotine.

Mr. Munro stated: "The tar and nicotine maximums proposed by the manufacturers provide an effective ceiling to prevent introduction of a particularly high-level cigarette. It should be noted, however, that the dry method of measuring tar, which they are using, gives readings that are lower than the wet method used in departmental testing at the University of Waterloo.

"Consequently the 22-milligram ceiling in the manufacturers' proposals is about the same as 24 milligrams in the Department's tables. Few cigarettes produced by the Council members exceeded that level in the August 1971 report of the Department.

"As well," the Minister added, "the highest recorded nicotine level in August was 1.5 milligrams. The maximum proposed by the manufacturers is actually greater, 1.6."

Mr. Munro said that the initiatives of the Canadian Tobacco Manufacturers Council showed their common concern with the problem of cigarette-smoking and its hazards to health.

## WHEAT TO CHINA

The sale of 500,000 long tons of wheat by the Canadian Wheat Board to the People's Republic of China was announced in the House of Commons recently by Mr. Otto Lang, the Minister responsible for the Canadian Wheat Board.

The contract which allows for a tolerance of 5 per cent more or less of the stated quantity, involves a maximum of 19.6 million bushels. This is in addition to the contract for 98 million bushels negotiated in Peking last October. When delivery is completed, exports of Canadian wheat to China will total 117.6 million bushels in the present calendar year, Mr. Lang said.

In tabling the Wheat Board press release that announced the sale, Mr. Lang said credit terms were made possible under a guarantee to the Canadian Wheat Board by the Federal Government.

Grades to be shipped under the new contract are No. 2, No. 3 and No. 4 Northern Wheat. All shipments will be from West Coast ports, beginning within the next few weeks and continuing for a period of three months.

The terms of the sale are the same as in previous contracts with the People's Republic of China, which involve payment of 25 percent cash when each vessel is loaded and the balance to be paid with interest within 18 months.

## CANADA'S NORTH AMERICAN ECONOMIC DIMENSION

*(Continued from P. 2)*

you face. The strength of the U.S. economy is of vital importance to Canada and to the world at large. We share many of your concerns and objectives: the need for early rectification of unrealistic exchange rates; the need for significant liberalization of trade and agricultural policies in Europe and Japan, particularly at a time when Britain and other countries are about to enter the European Economic Community. Indeed, Canada is even more seriously affected by some of these events than the U.S. (The

U.S. stands to gain from the elimination of the British preferences...in Britain and in Canada.)

However, the trade-restrictive and trade-diverting measures imposed or proposed by the U.S. as part of the "new economic policy" are matters of the most serious concern to us.

I refer to the 10 percent surcharge that is now in effect on imports of almost all dutiable Canadian goods entering the U.S. (\$2.5 billion, largely manufactured goods); to the proposed "job development tax credit", which would discriminate against foreign suppliers of machinery and equipment; and to the proposed DISC program which is a roundabout way of subsidizing exports from the U.S.

To speak first of the U.S. surcharge. We have joined with other countries in urging the U.S. to remove this surcharge within the shortest possible period of time. We have also made it clear to U.S. Secretaries in Washington that the effects of this surcharge on Canada are particularly severe and far-reaching and that because of the very reasons given by President Nixon in announcing this measure (correction of exchange rates and trade practices), the surcharge should in any event not be applied to Canada. Indeed, Canada has allowed its currency to float since the spring of 1970 and there has been significant appreciation of the Canadian dollar. We have not "played" with our U.S. dollar reserves. We have fully implemented the tariff cuts negotiated during the Kennedy Round ahead of schedule. We apply no unfair restrictions to the importation of U.S. goods - indeed, no market is more open to U.S. goods of all kinds than ours.

#### EFFECTS OF SURCHARGE ON CANADA

The Canadian Government has put forward legislative proposals for a program of temporary employment support designed to prevent layoffs or closures in plants where the labour force would be seriously affected. This is only a short term measure to ease the pain. It is estimated that some \$2.5 billion of Canadian goods are directly affected by the surcharge, and the impact falls largely in the sector of secondary industry which is essential to employment.

Let there be no misunderstanding. The cumulative effect of such measures would, over time, have an impact on Canada going well beyond the need for temporary adjustments. Because of geographic proximity, close corporate and labour interrelationships, cultural and social affinities, and because of our own

open and very liberal policies, the Canadian economy is oriented to the U.S. to a unique degree. Our industrial strategy over recent years has been aimed at developing efficient, competitive and specialized manufacturing industries. Due to the small size of our domestic market, these industries *must* export, and access to the U.S. market on normal competitive terms has always been counted on as a vital and central element in this approach. Canadian and American businessmen, and their governments, have always postulated that north-south, south-north trade movements were "natural", that companies could establish plants north or south of the border without fear of political "accidents". Because of the "new economic policy", these assumptions are now in question.

#### CONCLUSION

If we were now to find that U.S. policies were turning inward and that the U.S. considers it in its interest to import our raw materials and our energy resources but to impede and obstruct the development of our secondary industries, we would have to take a very hard look at our whole economic relationship with the U.S. Indeed, in that case we would need to fundamentally reassess our own trade and industrial policies. It would be an "agonizing reappraisal". I must assure you, however, that there can be no question of our departing from the high priority we have given and must continue to give to the manufacturing and processing sectors of our economy, which are essential to increased employment in Canada.

It would be wrong to suggest that we have reached this point of reappraisal in our thinking. We still have confidence that the dangers ahead may be averted, that the U.S. will resume its positive and constructive role in continental and world trade and economic affairs.

All things considered, we would find it infinitely preferable to hold to our present policies, that is to say, to maintain a broad multilateral approach to international trade; to improve the flow of that trade by dismantling, not building barriers to, trade, including those between our two countries; to develop a constructive exchange of views for the most effective use of the resources in our two countries and to pursue our joint efforts to develop a still more rational and better synchronized industrial and trade pattern in the world at large.

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#### Corrigendum

Please read "Assembly" for "Alliance" in the title and fourth line, lead article Page 1, *Canadian Weekly Bulletin* dated October 6, 1971.