



CANADA

# CANADIAN WEEKLY BULLETIN

INFORMATION DIVISION • DEPARTMENT OF EXTERNAL AFFAIRS • OTTAWA, CANADA

Vol. 14 No. 13

April 1, 1959

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## CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Canada's deficit from current transactions in goods and services with other countries was reduced to \$1,112 million in 1958 from \$1,400 million in 1957, according to the Dominion Bureau of Statistics. This current deficit was still larger than in any year before 1956, even though the import balance from merchandise trade was sharply reduced by \$405 million to \$174 million in the year. An excess of expenditures over receipts on account of non-merchandise transactions was responsible for over four-fifths of the deficit in 1958. This deficit of \$938 million from "invisible" transactions grew by \$117 million in the year and here more than doubled in four years. Almost half of the deficit from "invisibles" originated in income payments on foreign investments in Canada, and large amounts of the remainder were for travel, transportation, and business services and personal remittances.

In each of the first three quarters the total current deficit from all transactions was less than in the corresponding quarters of 1957, because of declines in the balance of merchandise imports. But by the fourth quarter the latter balance exceeded the deficit from merchandise trade in the fourth quarter of 1957, and in each quarter of 1958 the deficit from non-merchandise transactions was higher than in 1957. The rising trend in this group of transactions in 1958 was mainly due to larger official contributions by the Canadian Government, larger Canadian expenditures on

travel abroad, reductions in inflows of immigrants' funds, and in current expenditures by the United States Government on defence installations in Canada. Maintenance of a high total of interest and dividend payments was partly offset by the resumption of receipts of interest from the United Kingdom on the post-war loan.

Among leading factors in the economic background influencing the shape of Canada's international accounts in 1958 have been the changing character of investment in Canada, and the altered rate of general growth. While business investment involving many expenditures has been reduced, investment outlays by public bodies have risen and levels of business inventories also fluctuated in a manner to reduce imports in most of 1958. At the same time, higher levels of personal consumption and government expenditures, and the maintenance of commodity exports have continued to contribute to high levels of production and to many types of Canadian expenditure abroad. Some of the effects of the high rate of growth of earlier years have shown themselves in new Canadian export capacity and in "invisible" items leading to larger external outlays for such purposes as interest and dividend payments, and travel and business services. Related to the higher level of income payments is the mounting size of Canada's net international indebtedness, which has more than doubled in half a decade resulting from the

(Over)

continued increase in non-resident capital invested in Canada.

The inflow of capital in such forms as direct investments, portfolio security transactions, and official loans, was adequate to finance practically the entire deficit on current account in 1958. In 1957 the corresponding inflows were equivalent to 91 per cent of the deficit.

A revealing feature of the capital account in 1958 was the decline in inflows involving investment in Canadian business. The net movement of capital into foreign-controlled concerns in Canada fell by \$120 million, and the net movement for the acquisition of securities of other Canadian companies fell by \$291 million. But despite this striking contraction, the inflows into these Canadian business investments in 1958 amounted to almost \$700 million, and the growth of non-resident investment in Canadian corporations was even larger, because of the reduced but nevertheless substantial amounts of earnings ploughed back into these firms. Associated with the decline in the rate of business investment was substantially increased activity on government account, reflected in the capital account of the balance of payments by net sales of securities of Canadian governments which totalled \$352 million, an increase of nearly 125 per cent over 1957.

As a result of these capital movements and of other factors, Canada's external long-term liabilities rose from \$17.1 billion at the beginning of the year to about \$18.5 billion at the end of 1958. Canada's net international indebtedness, exclusive of short-term commercial liabilities, rose during the same period from \$11.0 billion to well over \$12 billion. Despite the reduced pressures within the Canadian economy, the use of foreign resources as a proportion of net capital formation in 1958 was only slightly smaller than the one-third contributed in 1956-57, and was much higher than for the period 1950-1955. Direct foreign financing of net capital formation which exceeded 40 per cent in the years 1956-1957 was still about one-third under the conditions prevailing in 1958.

#### SHARP DROP IN DEFICIT

For the year 1958 as a whole, the import balance on merchandise trade was less than one-third that in 1957, owing to the much larger drop in imports than in exports. This change occurred in each of the first three quarters of 1958 following declines which had occurred in the latter part of 1957 in both imports and accompanying import balances. This trend altered, however, in the final quarter of 1958, as imports rose above the corresponding quarter of the previous year for the first time in over a year.

International current account transactions other than commodity trade in 1958 gave rise to an excess of payments over receipts of \$938

million. This record deficit was \$117 million greater than in the previous year, an increase of 14 per cent. While this rate of increase in imbalance was less than in 1956 and 1957, it persisted throughout each quarter and was in sharp contrast to the large reduction in the commodity trade deficit. Analysis shows reduced deficits on account of interest and dividends, freight and shipping, and the larger value of gold production available for export. These were more than offset, however, by higher net payments abroad on international travel, migrants' funds (including inheritances) and the remaining miscellaneous group of transfers.

#### TRANSACTIONS BY AREAS

While the current account deficit with the United States was reduced to \$1,204 million in 1958 from \$1,551 million in 1957, it was still higher than in any year before 1956. At the same time, a further contraction to \$92 million occurred in the surplus with all overseas countries. This compares to the historically small balance of \$151 million in the previous year, but is not as small as the surplus in the year 1950. With the United States, the change was owing to a greater reduction in current payments than in receipts, while with overseas countries the smaller surplus resulted from reduced receipts and increased payments.

Over one-half of the deficit of \$1,204 million with the United States originated from net payments for services and other non-merchandise transactions.

#### CAPITAL MOVEMENTS

The United States supplied an increased share of the capital imported in long-term forms in 1958. In amount, the net inflow of direct and portfolio capital from that country was well maintained during the year. Funds for direct investment were off somewhat, but security sales were higher than in 1957 and the net movement was only slightly below the total of \$930 million for the earlier year. In 1958 it accounted for between 80 per cent and 85 per cent of the total movement in these forms (including inter-governmental loans to overseas countries). This was about ten percentage points higher than in 1957, when net capital inflows from overseas countries were higher. The proportion of these movements originating in the United States has increased each year since 1955 when they accounted for less than half the total. In 1958 the inflows in these forms from the United Kingdom and from other overseas countries fell by about one-third and two-thirds, respectively. The inflow from portfolio security transactions with the United Kingdom was down sharply, but this decline was partly offset by the repayment on the Canadian loan of 1946, deferred in the previous year, and by somewhat higher inflows for direct investment. Receipts from

other overseas countries for both direct and portfolio investment were down compared to 1957, and in addition there was in 1958 a significant extension of credit by the Government of Canada to finance the purchase of wheat.

The net movement of foreign capital to Canada for direct investment in foreign-controlled enterprises during 1958 is tentatively placed at \$400 million. This represents a decline of \$120 million from 1957, and of \$183 million from the record year of 1956. The inflow in 1958 was, however, nearly \$50 million above the average for the years 1950 to 1955, and many times larger than the annual inflows prior to the fifties. Industrially, there were sharp drops in the inflows for the petroleum industry and manufacturing, offset to some extent by an increase in the inflow for mining operations.

Portfolio security transactions were again by far the largest source of foreign capital in 1958, supplying an amount equivalent to 62 per cent of the deficit on current account. The net inflow of \$680 million was less than occurred in either 1956 or 1957, when very strong demand pressures were exerted in Canadian capital markets by unprecedented levels of business capital investment. The total for 1958 was made up of \$651 million from net sales to non-residents of Canadian securities, and \$29 million from net sales of foreign securities. This movement of \$680 million compared to \$766 million in 1957, when there were net sales of \$747 million Canadian securities and \$19 million foreign securities.

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### DIPLOMATIC APPOINTMENTS

The Prime Minister, Mr. John G. Diefenbaker has announced the following appointments in the Canadian diplomatic service:

Mr. Jean Bruchesi, at present Under-Secretary of State of the Province of Quebec, has been appointed Ambassador Extraordinary and Plenipotentiary to Spain, to succeed Mr. Léon Mayrand whose appointment as Ambassador to Italy was announced earlier. Mr. Bruchesi will take up his duties in Madrid shortly.

The new Ambassador was born in Montreal in 1901. He is a graduate of the University of Montreal and of the Ecole Libre des Sciences Politiques de Paris. He also studied at the Sorbonne and at the Ecole des Chartes, Paris, France. He has been Under-Secretary of State of the Province of Quebec since 1937 and was called to the Bar of that Province in 1924. Mr. Bruchesi is the founder of the Société des Ecrivains canadiens and is a Fellow of the Royal Society of Canada of which he was the President in 1953. He has also been President of the Canadian Arts Council and President of the Canadian Historical Association.

Mr. Jean Morin has been appointed Ambassador Extraordinary and Plenipotentiary to Columbia, to succeed Mr. R.A.D. Ford whose

appointment as Ambassador to Yugoslavia was announced earlier.

Mr. Morin was born in Montreal in 1904. He is a graduate of the University of Montreal, was called to the Bar of the Province of Quebec in 1926 and created Queen's Counsel in 1949. He was a member of the Canadian Delegation to the thirteenth session of the General Assembly of the United Nations as an alternate representative. Mr. Morin studied music in Paris, France, and is Director of the Montreal Concerts, Governor and Administrator of the Pro Musica Society, a Member of the Montreal Museum of Fine Arts and of a number of other musical and artistic organizations.

Mr. Morin will take up his duties in Bogota shortly.

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### U.K. - CANADIAN DISCUSSIONS

In the House of Commons on March 19, Mr. J.G. Diefenbaker, Prime Minister of Canada, reported on the exchange of views on the questions of Germany, Berlin and European security which had taken place during the visit of Prime Minister Macmillan and Foreign Secretary Selwyn Lloyd of Great Britain.

Mr. Diefenbaker said:

"...Hon. Members in general will join me in expressing satisfaction that the Prime Minister, Mr. Macmillan, and the Foreign Secretary, Mr. Lloyd, visited Ottawa before proceeding to Washington, thereby enabling these two statesmen to place before the Canadian Government the views they intend to explore with the President of the United States.

"The private talks which the Minister of Public Works and I had with them, and the discussions which took place at the meeting of the Cabinet, re-emphasized the identity of the aims of the United Kingdom and Canada, and as well illustrated that intimacy and the value of the partnership which exists between the two Governments.

"In general, the meetings were concerned with an examination of the questions of Germany, Berlin, and European security. They began with a comprehensive review of the 10-day visit they recently made to the Soviet Union, and outlined the discussions which have taken place between them and Mr. Khrushchev; and I think just this general review indicated most clearly that those conversations and talks had been valuable. They gave an opportunity for a first hand impression of the Soviet position, and they enabled Mr. Macmillan to make clear beyond any doubt that there is unity among the Western powers in their determination to safeguard their legitimate interests in Europe. The most important result of the visit was that the Russians appear to have accepted, for discussion at least, a settlement by negotiation and not the threatened settlement by force which theretofore had been feared as the epitome of their views.

"Mr. Macmillan also outlined the course of his consultations last week with President De Gaulle and Prime Minister Debré in Paris, and with Chancellor Adenauer in Bonn. In the light of what he had learned in Moscow, these discussions with the French and German leaders were most important, because they led to a reaffirmation of Western solidarity as well as advancing Western preparations for the wider international negotiations which now seem likely to be held with the Soviet Union in view of the statement made today by Mr. Khrushchev.

"Our talks were largely in the nature of an exchange of information and a review of the German and Berlin problems and of the various proposals for a settlement of those problems now under study in Western capitals and in NATO. I should emphasize that neither Mr. Macmillan nor I attempted to crystallize any British or Canadian position on specific questions under discussion. However, I might add that it is my belief that the United Nations might play some significant role in the solution of the Berlin problem, and that this phase deserves further and more careful study. I think it would be generally agreed that it was clear there was no essential difference in the British and Canadian assessments of the world situation, or in the basic aims and policies of our two countries with regard to the complex questions of Germany, Berlin and European security."

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### NEW UNIVERSITY BODIES

The heads of 21 Canadian universities met in Ottawa on March 23 to elect the first Board of Directors for the new Canadian Universities Foundation. (CUF).

The new Foundation is the solution found by all the country's universities to a \$25,000,000 problem--the most efficient way to administer federal grants to higher education which now total that much annually.

It represents a reorganization of the present National Conference of Canadian Universities, which now handles the monies in addition to its other functions, into two new bodies: the Foundation, and a new National Conference of Canadian Universities and Colleges which will continue to carry out and to enlarge the functions of the former Conference, as a meeting of all the recognized universities of Canada where they can discuss their common problems and make their views known to the Canadian people. The new NCCUC will initially consist of 36 Canadian universities and colleges, together with the National Research Council and the Canada Council, but its constitution will be flexible and it is likely to increase in size.

Representation in the Foundation, apart from that of the country's five largest universities, is by election. The "big five",

with permanent seats, are: McGill (Dr. F.C. James), Toronto (Dr. C.T. Bissell), University of British Columbia (Dr. N.A.M. Mackenzie), University of Montreal (Msgr. I. Lussier), and Laval University (Msgr. A.-M. Parent).

Universities with enrolments of between 1,500 and 5,000 students are placed in Group II and may elect six representatives on the Foundation. A mail ballot has resulted in the election of Very Rev. H. Legaré (Ottawa), Dr. G.E. Hall (Western Ontario), Dr. W.H. Johns (Alberta), Dr. W.A. Mackintosh (Queen's), Dr. C.B. Mackay, (University of New Brunswick) and Dr. H.H. Saunderson (Manitoba.)

Universities with enrolments of under 1,500 students may elect nine members and the nine chosen are: Rev. C. Cormier (Saint Joseph's), Dr. A.D. Dunton (Carleton), Dr. W.T.R. Flemington (Mount Allison), Dr. G.P. Gilmour (McMaster), Dr. R. Cushue (Memorial), Dr. Watson Kirkconnell (Acadia), Dr. A.E. Kerr (Dalhousie), Very Rev. E.C. LeBel (Assumption) and Rt. Rev. H. Somers (St. Francis Xavier).

The Chairman at Monday's meetings was Dr. W.T.R. Flemington of Mount Allison University, Sackville, New Brunswick. At the first meeting, the 21 university heads elected the following officers and directors of the new Foundation:

- Chairman - Dr. Flemington (Mount Allison)
- Vice-Chairman - Dr. F. Cyril James (McGill)
- Directors - Dr. N.A.M. Mackenzie (University of British Columbia)
- Very Rev. Henri Legaré (University of Ottawa)
- Dr. W.A. MacIntosh (Queen's)
- Rt. Rev. H.J. Somers (St. Francis Xavier)
- Dr. G.P. Gilmour (McMaster)

Once its Board was elected, the new Foundation proceeded into its first organization meeting, followed by a separate meeting of the Board alone.

Although the Foundation and the new NCCUC go into business immediately, the process of winding up affairs of the old NCCU and its ultimate liquidation is expected to last several months.

The two new organizations will share the present quarters of the Conference at 77 Metcalfe Street, Ottawa, where, besides the secretariat, a research and information division is maintained under Dr. E.F. Sheffield. Dr. T.H. Matthews is executive secretary of both bodies.

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### NATURAL GAS IN 1958

Production of natural gas increased sharply in 1958 to a record total of 338,053,288 M cubic feet from the preceding year's 220,006,682 M, according to the Dominion Bureau of Statistics. Increases over 1957 were posted

for all months in the year, and December's total climbed to an all-time monthly high of 43,896,543 M cubic feet from 29,464,166 M a year earlier.

Output in Alberta, the top producing province, increased to 238,941,919 M cubic feet from 183,140,820 M in 1957. British Columbia showed an impressive gain to 63,186,743 M cubic feet from 8,274,942 M, and lesser increases were recorded in Saskatchewan to 20,249,746 M from 13,994,347 M, Ontario to 15,527,506 M from 14,400,913 M, and the Northwest Territories to 24,416 M from 19,243 M. New Brunswick's production declined to 122,958 M cubic feet from 176,417 M.

### CANADIAN EXHIBIT AT ATOMFAIR

Twenty-five Canadian firms are participating in a display arranged by the Department of Trade and Commerce at the Atomfair, which will be held in Cleveland, Ohio, from April 5-10. They will show products and services in the nuclear energy field, including power reactors and reactor components, fuel elements, radioactive isotopes, scintillometers, irradiation equipment, uranium oxides, scintillation chemicals, as well as design and research facilities.

The purpose of this display is to stimulate interest in Canada as a source of supply, not only to prospective purchasers in the United States but to buyers from many other lands who will visit the Atomfair. Twenty-six foreign countries sent representatives to the Atomfair in Chicago last year.

Among the most interesting exhibits will be a radioactive railway car sorting display, consisting of three model trains in constant automatic operation on a large platform. Also on display will be a model of a new design heavy-water-moderated organic-cooled power reactor, featuring high steam temperatures and low fuelling costs. Several other Canadian-developed nuclear products will be introduced for the first time.

A number of Canadian scientists and engineers will be attending the 1959 Nuclear Congress, which is being held concurrently with the Atomfair. Several will present technical papers. Papers on gamma irradiation will be presented by Mr. A.L. Riegert and Mr. J.W.-T. Spinks, University of Saskatchewan, Saskatoon, and Mr. R.E. Carson and Mr. B.I. Parsons, Department of Mines and Technical Surveys, Ottawa, and on power reactor design by Mr. J.A. Paget and Mr. P. Hamel, of the Engineering Institute, and by Mr. M.J. McNelly, Canadian General Electric Company Limited.

Canadian exhibitors include: A.M.F. Atomics (Canada) Limited, fuel elements; Atomic Energy of Canada Limited, irradiation equipment, radioactive sources; Winnett Boyd Limited, reactor design; Canadian Curtiss-Wright Li-

imited, control equipment utilizing radioactive isotopes; Canadian General Electric Company Limited, reactors, reactor design, fuel elements; Canadian Patents & Development Corporation, patents in the nuclear field, Canadian Vickers Limited, reactor component fabrication; Canadian Westinghouse Company Limited, reactors and reactor design; Catalytic Construction of Canada Limited, plant design and construction; Computing Devices of Canada Limited, kicksorter; Eldorado Mining & Refining Limited, uranium metal and oxides; Electronic Associates Limited, geiger tubes, equipment utilizing radioactive isotopes, radiation detection equipment; Federated Metals Canada Limited, lead bricks for reactor construction; Ferranti-Packard Electric Limited, control equipment for reactors, radiation detection equipment; Chas. E. Frosst & Company, radioactive isotopes; Kent Chemicals Limited, scintillation phosphors; Measurement Engineering Limited, control equipment for reactors; Merck & Company Limited, radioactive isotopes; Nuclear Enterprises Limited, scintillometers and scintillation chemicals; Ontario Research Foundation, research and design services; Orenda Engines Limited, research and design services; Racey MacCallum & Associates Limited, reactor construction inspection; Sarnia Inspection Company, inspection of process piping on site using radioactive sources, Sperry Gyroscope Company of Canada Limited, control equipment for reactors; Velan Engineering Limited, valves for reactors; Vokes (Canada) Limited, high volume air sampler.

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### COMMONWEALTH SCHOLARSHIPS

The Prime Minister announced in the House of Commons on March 24 that all Commonwealth countries, including Canada, have accepted an invitation from the United Kingdom Government to attend a conference at Oxford, England, from July 15 to July 29, to establish a scheme of Commonwealth scholarships. Lord Halifax, the Chancellor of the university has agreed to serve as president of the conference and Sir Philip Morris, the Vice-Chancellor of Bristol University, will act as chairman.

Mr. Diefenbaker also announced that a meeting will be held in Ottawa shortly between Government officials and representatives of Canadian universities to discuss the arrangements for Canadian participation in the scheme.

The objective is that when the plan is fully underway, 1,000 Commonwealth scholars will be studying at other Commonwealth universities at any one time. The United Kingdom has undertaken to provide one half, and Canada one quarter of the places. Thus Canada will offer about 125 places a year.

The idea for this scheme originated at the Commonwealth Trade and Economic Conference held in Montreal in September 1958.

## R. C. M. P. APPOINTMENT

The Minister of Justice, Dr. Davie Fulton, has announced the appointment of Deputy Commissioner Charles Edward Rivett-Camac to be Commissioner of the Royal Canadian Mounted Police, effective April 1, 1959. Deputy Commissioner Rivett-Camac had been on retirement leave since January 1, 1959. In announcing the appointment, the Minister of Justice stated that he was delighted that the Deputy Commissioner had agreed to return to active duty and take this most important post. Although he would have completed the normal thirty-five years of service on July 25, 1959, Deputy Commissioner Rivett-Camac is only 57 years of age, having joined the Royal Canadian Mounted Police at the early age of 22 years. His outstanding ability and devotion to duty over his years of service eminently qualify him for the post of Commissioner, and will ensure that the continuity of administration that is so essential will be maintained.

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## ATOMIC ENERGY AGREEMENT

The Department of External Affairs has announced that an agreement was signed on March 24, in Vienna, between Canada and the International Atomic Energy Agency. This agreement provides for the supply to the Agency of the three tons of natural uranium offered by the Canadian Government, free of charge, last December. At that time the Acting Minister of Trade and Commerce announced that this uranium would be sold to Japan by the Agency, which would use the resulting revenues to carry forward its programme of developing and expanding the use of atomic energy for peaceful purposes.

In connection with today's signing ceremony, the Prime Minister, Mr. John G. Diefenbaker, has sent the following message to the Director General of the International Atomic Energy Agency:

"On the occasion of the signature of the supply and project agreements, I would like to express both my great pleasure at the promptness and degree of accord with which the Board of Governors and all others concerned have acted to enable the International Atomic Energy Agency to meet the first request of a member government for assistance in arranging for the supply of uranium for a research project, and also my satisfaction that Canadian uranium has been selected for this purpose. The Canadian Government's offer of this uranium to the Agency, free of charge, was not only designed to assist the Agency by providing it with additional revenues but was a reflection of the importance which we attach to its intermediary role in assisting member countries, under Article XI of the statute, in the realization of atomic energy projects. The Canadian Government is most appreciative of

the confidence in the Agency demonstrated by the Japanese Government in seeking to meet its requirement for uranium for the JRR 3 reactor in this way, and is confident that the successful completion of the negotiations which have culminated in today's signing ceremony will be followed by a most fruitful development in the Agency's role of providing assistance to member countries."

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## CANADA HOUSE, LONDON

The Prime Minister announced in the House of Commons on March 25 that Canada House in London, England, will be expanded shortly by the acquisition of the adjoining building, at present occupied by the Royal College of Physicians.

Mr. Diefenbaker went on to say:

"This is a particularly satisfactory arrangement, because the property now occupied by Canada House was completed in 1825 for the Union Club, and the adjoining property, which occupies the remainder of the west side of Trafalgar Square, was completed at the same time. A unique feature of these two buildings is that although they were built for different organizations, they were designed by the same architect and built by the same contractor. As a result, the exterior on Trafalgar Square is part of a single architectural design, with exactly the same size windows and similar decorative features.

"The new property will give Canada House the additional office space required for its administrative headquarters. It will also provide one of the finest sites in London, overlooking Trafalgar Square from which historic streets such as the Strand, Whitehall and Pall Mall radiate to every part of the city."

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## CRUDE PETROLEUM

Canadian production of crude petroleum in 1958 amounted to 165,519,000 barrels, a decrease of 9 per cent from the preceding year's record of 181,848,000 barrels, the Dominion Bureau of Statistics reports. December's output rose nearly 17 per cent to 15,605,000 barrels from 13,375,000 a year earlier and followed a 10 per cent rise in November to 13,526,000 barrels from 12,288,000. There were decreases in all months in the January-October period.

Alberta's output in 1958 dropped to 113,315,000 barrels from 137,492,000 in the preceding year, but Saskatchewan's production rose to 44,626,000 from 36,861,000. Output for the other provinces: Manitoba, 5,829,000 barrels (6,090,000 in 1957); Ontario, 777,000 (624,000); British Columbia, 511,000 (341,000); Northwest Territories, 445,000 (421,000); and New Brunswick, 15,200 (19,400).