



CANADA

# CANADIAN WEEKLY BULLETIN

INFORMATION DIVISION • DEPARTMENT OF EXTERNAL AFFAIRS • OTTAWA, CANADA

Vol. 13 No. 35

August 27, 1958

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## UPSWING IN ECONOMY

Speaking August 20 at the opening of the 80th Anniversary of the Canadian National Exhibition, Toronto, Prime Minister John G. Diefenbaker said that in the past few months there has been increased evidence of an upturn in the economic condition of Canada.

Illustrating this statement, the Prime Minister said:

"The employment situation is improving, and in July 1958, Canadians with jobs numbered 5,934,000---only 15 thousand below the high level in 1957, and 145 thousand more than in July 1956. There has been an upturn in employment this spring and summer - a good deal more than seasonal.

"The total labour income is \$40 million higher than a year ago, and \$139 million higher than in the same month of 1956.

"Exports from Canada in the last available figure for the month of June were 8.7 per cent more than a year ago. The total exports for the first half of 1958 amounted to \$2.4 billion - 2-1/5 per cent more than in the corresponding period of 1957.

"Improvement in Canada's output and increased domestic consumption is shown by the fact that 12½ per cent more electric energy was used in July 1957 than a year ago.

"The industrial production index has been rising fairly steadily since December 1957.

"House building in the first half of 1958 amounted to 73 thousand housing starts

almost half as much again as compared with the same period in 1957.

"In copper, silver, zinc and lead, production is considerably higher than in the corresponding months a year ago, and in the first five months of 1958 copper and silver production were up 15 per cent, zinc up 10 per cent, and lead up 4 per cent.

"Canadian wheat exports in the current year were 21 per cent over the previous crop. True there are weaknesses in the economy but the overall picture is most hopeful."

Speaking of the future, the Prime Minister said:

"Canada's future promises tremendous expansion and, in my opinion, greater than any other nation in the world in the next quarter century. Behind us is a record of nation-building unmatched in history; before us a future of almost limitless grandeur.

"We have 'mastered a formidable half-continent against almost impossible odds'. We are a united people. No more can there be any doubt, in spite of the pessimism of the few who have yet to be convinced, that this is a nation which can and will fulfill its destiny, and that we are people who will maintain our rights and discharge our obligations to ourselves and others to that day when, in the fullness of time, all nations and all peoples will live together in peace and prosperity."

THE PHARMACEUTICAL INDUSTRY

SEES METALS OUTLOOK GOOD

Barring a major war, productive capacity in the major base metals - copper, lead, zinc, nickel and aluminum - should be able to meet any foreseeable increase in demand for some years to come, according to the Bank of Montreal's Business Review for August.

Entitled "The Slump in Base Metals", the Review says that the market reversal which began in March 1956 has been of major importance to Canada, for in that year, this country's production of these metals amounted to almost \$1 billion.

More than three-quarters of the free world's nickel is mined in Canada; the proportions for copper, lead and zinc range between ten and 15 per cent; and about one-fifth of the free world's output of aluminum is Canadian, the Bank of Montreal says.

In each case, most of the output is exported, largely to the United States, the Bank continues. Moreover, the development of new sources of supply has been one of the factors contributing to our post-war prosperity, and has led to the establishment of new settlements in hitherto wilderness areas.

Tracing causes for the current situation of "relative abundance", the Review recalls that immediately after the war these metals were in short supply. In 1949, there was a temporary surplus, except of nickel, and prices of copper, lead and zinc fell sharply. Then the demands of the Korean war and massive United States and British stockpiling pushed prices up quickly; new mines were opened up, exploration and prospecting activities were intensified, and abandoned mines were reworked.

By 1955 world output had shown an appreciable increase. In 1956, production continued to increase, but, by "an unfortunate coincidence", this was the year that strategic stockpiles were curtailed, and also the year when commercial demand began to level out and later turn downward, the Bank says.

Thus, for the first time since the war, there is now "excess capacity" in all five of the metals covered in the Bank of Montreal Review.

"From a worldwide point of view," the Bank says, "the main hope for an improvement in the metal markets lies in a renewed expansion of the American economy and, more particularly, in the volume of capital investment and the demand for consumer durable goods."

Any positive effects of a recovery in the American economy, however, "may be tempered by the levelling out that appears to be taking place in European demand, which has been responsible for much of the increase in world consumption during the 1950's", the Review says.

"It is however possible that, through an active policy of research and promotion, new markets may be developed for non-ferrous metals, particularly aluminum and nickel.

Indeed it may fairly be said that the use of these two metals, and perhaps also of copper, has been deterred by their acute scarcity throughout most of the post-war period. But it is apparent that the fear of not being able to obtain sufficient supplies of these metals need no longer be a factor in the selection of materials to be used in manufacturing or construction," the Bank of Montreal Review says.

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FOUR BILLION REACHED

Just five weeks after the Canada Conversion Loan of 1958 was announced, Victory Bond conversions crossed the four billion dollar mark, Bank of Canada officials reported.

Returns reaching Ottawa from across Canada showed conversions from all sources were \$4,046,000,000 - slightly more than double the amount raised in the largest of the wartime loan campaigns. Included were several large transactions from the exempt list but also an important contribution from general sales. Returns from the small individual bondholders will assume greater importance during the four weeks remaining in the Conversion Loan campaign.

Results of both bank and investment dealer activity during the past few weeks confirm widespread ownership of small denomination bonds. The Department of Finance again stressed the importance of small conversions, pointing out that from the standpoint of the success of the refinancing programme every individual conversion, however small, is important.

Three exempt list conversions reported last week all came from Nova Scotia where the provincial government converted \$3,974,700, with more to come later this month; the Acadia Insurance Co., Halifax, converted \$436,000 and Acadia University of Wolfville, converted \$35,000.

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CANADA TROPHY

Four Lane Sally, a pedigreed Canadian Holstein Friesian cow, has made her owner the first in Peru to win the "Canada Trophy" presented by the Canadian Government, reports D.H. Cheney, Commercial Secretary in Lima. The award, an engraved sterling silver tray, was made at the Ninth National Livestock Exposition in Lima.

Canadian cattle and their progeny made a fine showing in the Holstein Friesian class, competing against Peruvian-bred animals and those from several other countries. The impressive list of grand championships and first and second prizes indicates the important contribution Canada has made in building up the quality of Peruvian herds in recent years. Since 1952, Canada has shipped more than 700 head of high-quality dairy cattle valued at \$296.7 thousand to Peruvian breeders.

## BRITISH INVESTMENT IN CANADA

Peter Freyseng, Assistant Trade Commissioner, reports in "Foreign Trade" that traditionally, United Kingdom investment has played an important role in Canadian economic development. By the end of 1955 the total value of British long-term holdings in this country totalled \$2.4 billion. This roughly equalled the 1939 figure of \$2.5 billion which was cut down by the repatriation of Canadian holdings during and after the war to a low of \$1.6 billion in 1948. The value of British investments in 1955 was 33 per cent above the \$1.8 billion of 1945 and represented some 17 per cent of the book value of all foreign investment in Canada in 1955.

### PATTERN HAS CHANGED

The pattern of British investment in Canada that developed in the decade after the war differed materially from that of the prewar years. Since 1945, somewhat more emphasis has been placed on direct holdings in Canada through equity investments in subsidiary plants and branch operations. In 1955 United Kingdom direct investment totalled \$883 million, or about 38 per cent of the total value of the British stake in this country. The corresponding 1939 figure for this type of capital investment was \$366 million, or 15 per cent of the total. Furthermore, United Kingdom direct investment rose by over 150 per cent between 1945 and 1955, considerably more than the gain in total British capital investment in Canada over the same period.

One of the factors in the trend towards direct investment was the plan agreed upon by the United Kingdom and Canada for the repayment of the 1942 loan to Britain. This plan was in operation between 1947 and 1953 and under it, the proceeds from the sale of British-held Canadian securities were applied to the reduction of the loan or used for certain direct "brick and mortar" investments. In addition, the general tendency of all postwar foreign investment in Canada was towards the direct type of holdings.

Nevertheless, portfolio investments--that is, investments where the owner of securities does not play an active part in the control and operations of a company, as opposed to direct investments where he does--accounted for some 60 per cent, or over \$1.4 billion, of British holdings in Canada in 1955.

### DIRECT INVESTMENTS

United Kingdom direct investment in Canadian concerns has taken two forms: the establishment of new branch plants and commercial organizations, and the purchase of controlling interests in existing Canadian industrial or commercial firms. Fairly typical of the latter is A.V. Roe Canada Limited, founded in 1945 by the Hawker Siddely Group Limited, of

London, England, A.V. Roe is now a holding company that, through subsidiaries, is engaged in most phases of the production and sale of aircraft; gas turbine, diesel, and other types of engines; buses, diesel trucks and highway trailers, and railway rolling stock, forgings and castings. In late 1957 A.V. Roe Canada Limited acquired control of the Dominion Steel and Coal Corporation Limited; this means that it is now active also in coal and iron mining, steel production, and shipbuilding. Some of its other wholly-owned subsidiaries include Avro Aircraft Limited, Orenda Engines Limited, Canadian Car Company Limited, and Canadian Steel Foundries (1956) Limited. It also has an important minority interest in Algoma Steel Corporation, Limited.

An example of a company building entirely new facilities is provided by the Canadian British Aluminum Company Limited. Formed by the British Aluminum and Quebec North Shore Paper Companies, the firm is constructing a new plant and dock facilities at Baie Comeau. The plant was opened recently and by the end of this year expects to have an aluminum production capacity of 80 thousand long tons. Eventually capacity may be increased to 160 thousand long tons. By the end of 1955 British direct investment totalled \$883 million, or roughly 11 per cent of all foreign direct investment in Canada. British direct holdings represented ownership or control of over 950 individual companies. Although these investments included some very large firms such as the Bowater interests, Anglo-Canadian Pulp and Paper Mills, Limited, Imperial Tobacco Co. of Canada, Limited, and Canadian Vickers, Limited, they also embraced a goodly number of smaller companies with a capital of less than \$500 thousand. In fact the small size of some of the British concerns is one of the features distinguishing them from United States firms which are, on the whole, larger.

One of the reasons is that British investment in Canada is frequently undertaken for the primary purpose of creating export trade opportunities for British industry. Hence many of these smaller firms are distributing or merchandising organizations.

### DISTRIBUTION OF DIRECT INVESTMENT

Some 60 per cent, or over \$540 million, of total British direct holdings was invested in Canadian manufacturing by the end of 1955; within that sector investment seems to have been heaviest in wood and paper, chemical, iron and iron products, and vegetable product industries, in that order. Many of these manufacturing companies are large and produce a variety of products. Canadian Industries Limited, controlled by Imperial Chemical Industries Limited, manufactures chemicals, plastics, paints, textile fibres, and explosives.

ives in 22 plants distributed across Canada. In 1948 Imperial Paper Mills Limited formed the Gulf Pulp and Paper Co. which now operates a plant with the capacity to produce 250 short tons of groundwood pulp per day at Clarke City on the north shore of the St. Lawrence River. British Insulated Callender's Cables Limited purchased the rod, wire, and cable manufacturing plants at Brockville and Montreal of Phillips Electrical Company Limited in 1953 and just this year founded a new subsidiary in conjunction with the Canadian British Aluminum Company Limited to make aluminum rod and cable. This new subsidiary, Phillips CBA Conductors Limited, has planned a \$2 million plant for Brockville. In the petroleum field, the British Petroleum Company recently announced that it will build a large refinery near Montreal and begin marketing its products through a series of service stations to be built in Eastern Canada. Other well-known British manufacturing companies operating in Canada, many prior to 1939, include Lever Bros., Limited; de Havilland Aircraft of Canada Limited; Dunlop Canada, Limited; Pilkington Brothers (Canada) Limited; the English Electric Company of Canada, Limited; the Electric Reduction Company of Canada, Limited; and Courtaulds (Canada), Limited. In all by the end of 1955 some 300 companies manufacturing in Canada were controlled in the United Kingdom.

Roughly 15 per cent of direct investment in 1955, or approximately \$140 million, represented holdings in the Canadian merchandising field, including those of the Hudson's Bay Company. Another 12 per cent, or \$108 million, was employed in various financial institutions. A smaller proportion, 5 per cent, or some \$40 million, was invested in mining and smelting but it represents some very important concerns. Rio Tinto (Canada) Limited was formed in 1955. It has acquired a number of important holdings since then, both in the uranium field at Blind River in Ontario and in Ungava. Recently Rio Tinto and Dow Chemical of Canada Limited formed a new company to carry out research work on the possible production of thorium and rare earths from byproducts of uranium mining operations in the Blind River-Algoma area. A plant representing an investment of some one million dollars will be built and is expected to be producing 100 to 200 tons of thorium salts a year. This is approximately equal to current world output of these products. In addition to interests in the resources field, another 4 per cent, or \$33 million, of British direct investment in 1955 represented holdings in public utilities and some 3 per cent, or \$23 million, was invested in miscellaneous holdings.

#### BENEFITS OF BRITISH INVESTMENT

British investors who establish branch plants in this country or purchase existing Canadian firms make an important direct con-

tribution to our industrial growth. New manufacturing enterprises have brought new techniques, new skills, and in some cases new citizens to this country, and have added to the list of "made-in-Canada" products. And they have created new employment opportunities for our growing population. The 200 manufacturing companies created or purchased by British interests in the years 1945-1955 now employ over 40,000 Canadians. Furthermore it should be remembered that the dollars earned by British investment in Canada have been used, in part at least, to buy more Canadian products, thus strengthening our export markets in the United Kingdom.

British investment, both direct and indirect, will undoubtedly continue to play an important role in our economic future. Preliminary figures indicate that the total value of United Kingdom holdings in Canada topped \$2.6 billion in 1956 and continued to grow somewhat more slowly during 1957.

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#### AT BRUSSELS FAIR

Prime Minister, John G. Diefenbaker, was represented by Senator Mark R. Drouin, Speaker of the Senate, at the Brussels International Exposition on Canada Day at the Fair, Monday, August 25.

Mr. Diefenbaker had intended to make a three-day visit to the Exposition but cancelled his plans because of the inability to make firm plans for overseas engagements at this time.

Senator Drouin left Ottawa on Friday, August 22 by Trans-Canada Airlines, arriving in Brussels Saturday forenoon. On Sunday, August 24, he visited the Canadian Armed Services Cemetery at Adegem, near Brussels, where he laid a wreath on behalf of the Prime Minister, after church services and a civic reception.

On Monday, August 25, Senator Drouin visited the Canadian Pavilion and had lunch there. In the evening, he attended a concert of Canadian artists at the Exhibition Auditorium and was host on behalf of the Prime Minister at a reception following the concert.

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#### WHEAT EXPORTS CLIMB

Overseas export clearances of Canadian wheat in the crop year just ended climbed 21 per cent to 268,527,000 bushels from 222,386,000 bushels in the preceding crop year. Clearances in the final week of the crop year were sharply higher at 8,756,000 bushels versus 3,499,000 a year ago.

Crop-year marketings of wheat by Prairie farmers rose 1 per cent to 365,339,000 bushels from 361,903,000 a year earlier, but final week's marketings were down to 22,338,000 bushels from 24,252,000.

## JUNIOR RED CROSS

Through their art, album, music, craft and magazine exchange programmes, Canadian Juniors were in continual touch with children in 61 lands, the Canadian Red Cross reports in a review of its work during 1957. They doubled the value of their friendship gifts--health kits, school supplies, clothing, quilts and toys--which were sent to children in 14 countries. They contributed \$50,862.13 to their Fund for International Help and Understanding, from which help was extended to children in 17 countries.

Perhaps the most interesting of these projects was the "adoption" of ten Korean high schools by the Regina, Brantford, Toronto, Montreal and St. John's Inter-High School Councils for the purpose of providing each school with \$500 worth of laboratory equipment. Established as a friendship project, the Canadian and Korean schools are encouraged to enter into direct correspondence with each other. Many interesting photographs, letters and small gifts have been exchanged. This project was continued into 1958 with the adoption of twelve more Korean schools. A similar project was undertaken by the Montreal High School Council which gave the proceeds of its annual Variety Revue to the purchase of sewing machines, carpentry tools and materials for the establishment of a self-help project in Ceylon. Since 1954 Canadian Juniors have given \$24,310.00 as an operational subsidy for the Inchon Children's Sanitorium in Korea. In 1956, under the aegis of the League of Red Cross Societies, other national Junior Red Cross sections undertook to assist in this project as well.

The Canadian Junior Red Cross film, "Friends in Deed", has now been seen by many thousands of people in all parts of the world. Two prints given to the Department of External Affairs in 1956 have been widely shown in nine countries of Europe and Asia. German and Spanish sound tracks were prepared for this film by the German Red Cross and the League of Red Cross Societies respectively; thus this film is now available to National Societies on a loan basis through the League, in four languages.

During the year a film strip, "The Children of Korea", was produced. This film strip has been useful in helping Canadian Juniors to grow in their understanding of these children to whom they have rendered so much assistance during the past several years.

In 1957 the Canadian Junior Red Cross was awarded a UNESCO Travel Grant, one of several given annually by that organization to international youth groups. The grant was given to Mr. Bernard Keeler, a school principal of Milton, Nova Scotia, for the purpose of travelling to Iran and Lebanon to explore the possibilities of suitable self-help pro-

jects to be financed in part by monies from the Fund for International Help and Understanding. En route, he studied the Junior Red Cross activities in nine countries of Europe. The report submitted by Mr. Keeler at the conclusion of his Study Visit will be of value to the Canadian Junior Red Cross in its future international relief work, with special emphasis on projects designed to help other countries help themselves.

In April the National Director participated in a meeting of the Junior Red Cross Advisory Committee of the League held for three days in Geneva. Thirty-one national sections were represented at this meeting. International study centres, the standardization of international relief programmes, and ways and means of improving the friendship exchange programmes of the Junior Red Cross and of relating the Junior Red Cross more closely to education were the chief items on the agenda.

Several interesting projects designed to further the ideals of international understanding are being developed by the branches in the Department of National Defence Schools in Germany. With the initial leadership coming from the Canadian teachers individual groups of Canadian and German Juniors are now working together on joint service projects designed to help persons within the German community in which these Juniors live. Five Juniors and one teacher from these schools participated in a Training Centre operated by the American Junior Red Cross in Germany for its Dependents' Schools.

Two articles on the activities of the Canadian Junior Red Cross appeared in League publications during the year, one on the Handicapped and Crippled Children's work in the Junior Red Cross Newsletter of the League, and the other on the international self-help activities in the senior publication, THE RED CROSS WORLD.

During 1957 plans were started on an International Training Centre to be held in Canada in 1959 on the campus of the University of Toronto, to commemorate the fiftieth anniversary of the granting of a charter to the Canadian Red Cross Society and the hundredth anniversary of the birth of the Red Cross idea on the battlefield of Solferino. Invitations were extended to each of the 71 Red Cross, Red Crescent and Red Lion and Sun Societies that have a Junior section to send four Junior members between the ages of 15 and 18 years as delegates to this Centre. To date, 25 of these Societies have indicated their intention of accepting this invitation.

### WORK FOR HANDICAPPED CHILDREN

Canadian Juniors contributed \$218,464.80 to their Junior Red Cross Handicapped and Crippled Children's Fund during 1957. Assist-

ance was provided to 2,154 children, making a total of 55,818 children that have been so assisted since the programme was begun in 1922. \$200,323.75 was expended from this fund on assistance to individual cases and on special grants and projects.

Much of the increased growth and activity can be attributed to the high school training centres which are held during the summer months. 350 students, 13 of them guests from the United States, attended the six training centres that were held in 1957 in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and New Brunswick. Thirteen of these training centre delegates were Indian students, invited to the centres at the special request of the Department of Indian Affairs. Nine Canadian Juniors were guests at American centres.

Many graduates of these training centres, which have been held in various parts of Canada for the past nine years, are now themselves teachers who are giving fine leadership to Junior Red Cross activities in their own classrooms. They, along with others who have gone into the nursing, medical or social service professions, frequently report that it was their Junior Red Cross experience, and especially the knowledge that they acquired at training centres, that helped them in their selection of a career.

One-day conferences are also proving useful in giving to the high school branches a better understanding of all phases of Red Cross work. More than 900 Juniors attended 14 such conferences held in Alberta, Saskatchewan, Ontario, Quebec, Prince Edward Island and Newfoundland, during 1957.

While continuing to recognize the importance and value of training teen-agers for leadership in Red Cross, an increasing emphasis is now being given to teacher-training. When Junior Red Cross was established in 1922, one of its cardinal principles was its firm attachment to the school system. Because of its adherence to this principle, the Canadian Junior Red Cross has grown and prospered and is looked upon as a model by much of the Red Cross world.

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VISITOR FROM JAPAN

The Hon. Aiichiro Fujiyama, Minister for Foreign Affairs of the Government of Japan,

arrived in Vancouver today for a week's visit. Mr. Fujiyama was met at Vancouver by His Excellency, Toru Hagiwara, the Ambassador of Japan to Canada, who will accompany him during his visit. Mr. Fujiyama, after two days in Vancouver, will visit Banff and then fly from Calgary Airport to Ottawa arriving on Sunday evening, September 7.

While in Ottawa, Mr. Fujiyama will call on the Prime Minister, the Secretary of State for External Affairs, and the Minister of Trade and Commerce. He will be the guest of the Honourable Sidney Smith, the Secretary of State for External Affairs, at a dinner on Monday, September 8. The Ambassador of Japan will entertain at a luncheon and reception on Monday and a dinner on Tuesday.

Mr. Fujiyama plans to meet the press in Ottawa on September 9. He will fly from Ottawa to Washington the next morning.

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DELEGATION TO GENEVA

The Canadian Delegation to the Second United Nations International Conference on the Peaceful Uses of Atomic Energy, Geneva, September 1 to 13, is to be headed by Dr. W.B. Lewis, vice-president, Atomic Energy of Canada Limited.

Canada has submitted 47 papers to the conference, which will be attended by an estimated 5,000 scientists, engineers, government officials, executives of private companies and others from 80 countries. The Canadian papers cover such topics as this country's atomic power programme, the NRU reactor, types of ores in the various uranium mining regions, uses of radioactive isotopes, cancer therapy, health and safety in the operation of atomic installations and the disposal of fission products.

A model of Canada's first atomic power station, NPD (Nuclear Power Demonstration) will be featured in the Canadian exhibit at the conference. The exhibit, which will occupy a space of 2,900 square feet, covers the full range of atomic energy developments in this country from the uranium industry through fundamental and applied research to radioactive isotopes. Included in the display are fifteen models of atomic power reactors, cancer treatment machines, a uranium mine mill and the research reactors at Chalk River.