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TRADE WITH WEST INDIES

The Department of Trade and Commerce marked the inception of the Federation of the West Indies by three special articles in the January issue of Foreign Trade. Writing on the subject "Two-Way Trade with the West Indies", Mr. M. V. McCormick, International Trade Relations Branch, pointed out that Canada has a long history of trade with the West Indies, stretching back well over 200 years. We have sold them principally flour, fish, other food-stuffs, and lumber; they have sold us sugar, molasses, lumber, spices and tropical fruits. In recent years the trade has taken on a more varied complexion: bauxite, alumina and petroleum have been coming to us from the West Indies and we have been sending them a wide variety of manufactured goods.

In the last twenty years this trade has grown in size as well as in scope. Just before the Second World War the total trade with the West Indies, both imports and exports, reached \$33 million. By 1956, it had increased to \$113 million, with our exports to the West Indies totalling \$49 million and our imports from the islands \$64 million. Figures for the first nine months of 1957 show exports to the West Indies at \$35 million and imports from the West Indies for the first six months of 1957 at \$40 million, a substantial rise over the 1956 figure.

The close trading relations between Canada and the British West Indies over the years are the result of several factors. The economies of the two areas are largely complementary and

the areas themselves are not far apart, geographically speaking. In addition, three successive trade agreements have provided a framework for the building-up of this trade.

At the turn of the century, the British West Indies lost its sugar market in the United States and became interested in the possibility of selling sugar in Canada instead. At that time, total Canada-BWI trade had an annual value of less than \$5 million and both sides wanted to increase it. This feeling, plus the desire for Empire solidarity within the Imperial Preferential Tariff system, paved the way for the first Canada-West Indies Trade Agreement of 1912.

The 1912 Agreement gave Canada preferential rates of duty of four-fifths of the general tariff on specified goods and provided that some British West Indian products, notably sugar, would receive corresponding preferential treatment in Canada. In 1920, this agreement was replaced by a broader one under which preferences applied to all dutiable goods on both sides, with a few exceptions. Canada gave the British West Indies a tariff preference of 50 per cent on all dutiable articles other than tobacco, cigars, cigarettes and spirituous or alcoholic liquors.

A third and more extensive trade agreement, the one now in force, was signed on July 6, 1925, and came into operation on April 30, 1927. This agreement broadened the exchange of preferences still further and made various special provisions for individual products and

for individual colonies. It provided that import duties on Canadian products may not exceed certain percentages of the most-favoured-nation rates. These percentages vary in different colonies: for example, they may not exceed 50 per cent in Barbados, British Guiana and Trinidad, or 75 per cent in Jamaica. For a few other products--notably flour, dairy products, meat, fish, apples, potatoes and alcoholic beverages - specified margins of preference that were set forth in the agreement were granted to imports from Canada. In fact, virtually every product imported from Canada received some tariff preference.

For its part, Canada granted under the 1927 Agreement free entry to a number of British West Indian products and bound margins of preference on most dutiable imports, including sugar. The most important preference was that on raw sugar imported by refiners for refining in Canada. The bound margin of preference on 96-degree sugar was increased to \$1.00 per 100 pounds under the 1927 Agreement, and other raw sugar imported by refiners received equivalent preferential treatment. Other important products on which Canada granted preferences were bananas, cocoa beans, rum, coffee and spices. In addition, Canada gave a general undertaking that the duty on all goods imported from the West Indies but not specifically enumerated in the Agreement would at no time exceed 50 per cent of the General Tariff of Canada.

This agreement was to remain in force for twelve years. However, because of the war it was renewed in 1939 for an indefinite period. It may be terminated on six months' notice.

CUSTOMS UNION PLANNED

The negotiations for the West Indies Federation naturally included discussions on the economic, fiscal and other problems involved. One of these was the proposed establishment of a Customs Union for the federal area. To examine and report on this to the new Federal Government, a Commission on Trade and tariffs was set up under the chairmanship of Sir William Croft. The Commission was to examine the problems involved in a Customs Union, bearing in mind the possible accession to the Federation of British Guiana and British Honduras, and to work out a scheme for this union to be implemented by stages, if necessary. It must submit a report not later than two years after the establishment of the Federal Government. Treaty relations of the West Indies with other countries, including Canada, will probably require some review and revision once the federated units decide on the form and nature of the Customs Union. The Commission may submit its report in 1958.

DOLLAR IMPORT RESTRICTIONS

Without the various trade agreements and particularly the one now in force, it is doubtful whether Canada-British West Indies trade could have become as important in either volume or composition as it is today. However,

Canada in recent years has found obstacles in the path of its exports to the British West Indies. These territories, in common with many other non-dollar countries, have maintained restrictions against dollar imports in order to preserve the balance of payments of the sterling area. These restrictions, however, have been liberalized somewhat in recent years through the establishment of the British West Indies Trade Liberalization Plan and the freeing of some basic products from import licensing restrictions. Naturally, Canadians feel it is most desirable that this liberalization continue.

The Trade Liberalization Plan was introduced in 1951 in order to keep the British West Indies market open for Canadian products, and particularly manufactured goods, at least in token quantities. In 1952 the list of commodities which could be imported under the Plan was extended and the quotas increased. The Plan is still in effect.

In addition to the Liberalization Plan, the British West Indies have in recent years placed a number of additional products under world open general licence, thus allowing them to be imported from any country without restriction. Products of interest to Canada under world open general licence include meat, onions, split peas, fish (except fresh and frozen), kraft paper, newsprint, tobacco and apples.

FEDERATION'S FINANCIAL POSITION

The West Indies constitution provides that the Federal Government shall, during its first five years, obtain its revenue from profits on the currency issue and from a mandatory levy on unit governments. It also gives the Federal Government concurrent legislative power to raise revenues by means of excise and customs duties.

The United Kingdom Government has undertaken to increase its contribution to the cost of constructing the federal capital from £500 thousand to such sums as may be required up to a maximum of £1 million. It has also agreed to make an annual grant for the next ten years to help unit governments that are unable to balance their budgets.

Meetings of Canadian and West Indies officials were held in Ottawa in September 1957. At these meetings the West Indian representatives reviewed economic development in the area and indicated ways in which Canada might assist the new Federation.

All Canadians undoubtedly hope that the West Indies Federation will be vigorous and prosperous. It seems probable that the commercial and other links which have bound Canada and the West Indies together over the years will continue and become stronger. And, as the federation becomes established and as individual territories join together in closer economic association, there will be further opportunities for the building-up of the trade which both countries have found so profitable.

CANADA'S COMMERCIAL FISHERIES

The fishing grounds of the continental shelf on Canada's east and west coasts are among the richest in the world, and Canada's inland waters, comprising about one-half of the fresh-water area of the world, support extensive fresh-water fisheries. The Canadian commercial catch of fish and shellfish amounts to some two billion pounds a year, with a marketed value close to \$200 million. More than 150 species have commercial significance, but the major groups upon which the Canadian industry is based are: (1) the groundfish group (excluding halibut) -- particularly Atlantic cod, haddock and red-fish (ocean perch); (2) halibut; (3) the Pacific salmon; (4) herring; (5) Atlantic lobster; and (6) the group of freshwater species -- particularly white-fish and pike-perch.

An increased total Canadian and foreign catch is forecast for most of the Atlantic groundfish species except haddock. The stock of cod represents about two-thirds of known Atlantic groundfish resources and the present catch rate of 16 per cent of the stock leaves room for a large increase in landings. The present utilization of haddock is estimated to be 42 per cent of the stock; that of red-fish and the small flatfishes, 7 and 14 per cent, respectively, of their stocks. An increased catch of Pacific groundfish is probable, but the stocks are less than 10 per cent of those of the Atlantic.

Some increase is seen for the catch of Pacific halibut, of which about 62 million pounds a year are taken (the Canadian share being about 40 per cent). An annual catch quota is imposed under the Northern Pacific Halibut Convention, and competition among fishermen for a share of the catch has increased the number and efficiency of halibut vessels until the yearly quota is now taken in a few weeks. Most of the catch is marketed over the year in the dressed frozen form. It is thought that the recovery of the halibut fishery under international management over the past twenty years may be explained in part by higher average water temperatures and by faster recruitment and growth resulting from the reduction in the density of the stock. If so, a moderate increase in exploitation might be both feasible and desirable.

The Atlantic halibut catch is only one-tenth as great as Pacific halibut landings. No increase is foreseen at present.

The total annual catch of the Pacific salmon species, at 233 million pounds, is thought to represent about 56 per cent of the combined stocks in Canadian waters. The Canadian catch is about three-quarters of the total and the Pacific salmon group is the most important in the Canadian fisheries. An increase of more than 100 per cent in the combined stocks by 1980, to about 900 million pounds, is thought

possible because of the success of international conservation measures under the International Pacific Salmon Fisheries Convention, such as seasonal closure regulations to ensure adequate escapement of spawning stocks, the construction of fishways past dams, and the removal of stream obstructions. For instance, a five-fold increase in the Fraser River sockeye stock might be brought about. The chief threat to restoration of the Fraser sockeye run lies in prospective power development on the river; salmon by-pass facilities for the large dams proposed would be astronomical in cost and they would also be ineffective if they delayed the fish beyond their spawning time or beyond the period of suitable water temperatures.

The catch of Atlantic salmon is about four million pounds yearly, representing perhaps 40 per cent of the stocks. The stock might be doubled if present measures to control predation by the American merganser and to remove or by-pass obstacles to the ascent of streams by spawning salmon are not nullified by urban and industrial stream pollution or by the effects of logging activities and forest spraying for control of the spruce budworm.

Pacific herring are caught chiefly for reduction to fish meal and oil. The current catch of 380 million pounds is close to 50 per cent of the present stock. It is thought that the stock would sustain a catch increase of 35 per cent, although wider fluctuations in the annual catch might result.

The Atlantic herring stock is estimated at 3,800 million pounds, and the annual catch of 240 million represents only 6 per cent utilization. Most of the catch is taken during spawning runs in inshore waters and processed into smoked, pickled, and canned products, although there is also a small reduction industry. If a mass market for herring products could be developed, much larger catches could be made, but better methods would have to be found to locate and catch the herring in off-shore waters during summer and autumn months when they are highest in quality.

The Atlantic lobster fishery is intensive; the annual catch of 48 million pounds is believed to be about two-thirds of the legal-sized stock. A decrease in the stock is possible if, as predicted, average water temperatures begin to decline after 1960. However, it is thought that an effective management programme might maintain the catch at present levels until 1980.

The bulk of the Canadian commercial catch of fresh-water fish, 114 million pounds annually, is taken in lakes, especially Lake Erie and Lake Huron, Lake Winnipeg, Lesser Slave Lake in Alberta, and the Great Slave Lake in the District of MacKenzie. It is believed that stocks could sustain a 40 per cent

RECCE SQUADRON TO UNEF

The Reconnaissance Squadron of the 1/8 Canadian Hussars (Princess Louise's) will leave their home station at Camp Gagetown, NB, later this month for a tour of duty with the United Nations Emergency Force in the Middle East, Army Headquarters announced.

The Squadron, 100-strong, will take over the task of patrolling the Israeli-Egyptian border from 56 Canadian Reconnaissance Squadron, who will be returning to Canada.

The first of five aircraft carrying the Hussars will leave Canada on January 27, and the exchange will be completed by February 3.

Commanding the 1/8 Reconnaissance Squadron is Major H. I. T. McLeod, CD, 42, of Wine Harbour, N.S.

The returning 56 Canadian Reconnaissance Squadron, which was formed specially for service in the Middle East, will become a dormant unit on arrival in Canada, and the majority of its personnel will be rejoining their original regiments, the Royal Canadian Dragoons at Camp Petawawa, Ont., and the Lord Strathcona's Horse (Royal Canadians) at Calgary, Alta.

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FOREST PRODUCTS PROMOTION

To further develop markets for forest products and supplement the continuing programmes of trade promotion in world markets, the Government will this year undertake certain special projects. Transport Minister, George Hees, addressing the annual convention of the Truck Loggers Association at Vancouver January 15, said that the products of Canada's forest industries will be displayed under government sponsorship in the following exhibitions:

1. National Association of Home Builders Annual Convention and Exposition, Chicago, January 19 to 23. This is the first time the Canadian Government has decided to participate in this Exposition. It is strictly a trade show, not open to the public. It is the one and only official show for the American home builders who each year build the majority of new homes in the United States. All species and types of lumber, plywood, building boards, and other related materials produced in British Columbia will be featured.

2. Rand Easter Show, Johannesburg, South Africa, March 24 to April 7. This is again Canada's first participation in this show, and involves the erection of a pavilion. This will be Canada's largest trade exhibit in 1958. In view of the importance of the South African market to Canada, it was felt that a government-sponsored exhibit would be of considerable value in expanding present sales as well as in introducing new lines. All the products produced by the forest industries will be prominently displayed.

3. German Industries Fair, Hanover, Germany April 27 to May 6. This is the world's largest

annual chemical show, and since wood pulp is an important raw material in the chemical industry, various grades will be exhibited in relation to specific end-uses for chemical manufacture. Since Germany is a large producer of chemicals and chemical products, it represents an important market for wood pulp.

4. Building Trades Exhibition, Manchester, England, November 11 to 22. This is the largest and most important exhibition to be held in 1958 in the United Kingdom featuring building materials. It affords an excellent opportunity to publicize the advantages of Canadian lumber, plywood, shingles, building boards, and other related products in this major export market. To focus attention on this exhibit and to support the continuing programme of trade promotion in forest products in the United Kingdom, Canada is underwriting a fairly extensive advertising programme in appropriate trade journals.

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ESKIMOS IN MINING

In his opening address last week at the 14th session of the Northwest Territories Council, held at Yellowknife, the Commissioner of the Territories, Mr. Gordon Robertson, said that one of the highlights of 1957 was the increasing employment of Eskimos in other than government jobs, particularly in the mining industry.

The most interesting and significant example of this was at the nickel mine at Rankin Inlet. When this property started production in the spring, about 200 Eskimos were employed on a semi-permanent basis. At the end of the year, 70 Eskimo men were working in the mill and in allied projects. The mining company has shown a consistently positive and constructive approach in its relationship with its Eskimo employees. In addition to providing medical services, certain shopping facilities and on-the-job training, it is also providing housing for the permanently employed Eskimos. The Department of Northern Affairs of the Federal Government has done all it can to encourage and assist in this operation. At the request of the company, a teacher was sent to Rankin Inlet in the fall and a Northern Service Officer was posted there in November. A new school will, it is hoped, be built in 1958.

Mining activity in widely scattered parts of the north also proved to be a major source of seasonal employment for Eskimos last summer. Inland from the west coast of Hudson Bay, on south Baffin Island, in the Coppermine area and in the Belcher Islands, Eskimos were employed by mining companies. They performed a variety of tasks, such as off-loading supplies, acting as boat crews, packing ore samples, setting up and maintaining camps, and acting as diamond drill helpers. Some received on-the-job training as prospectors.

NEW LIBERAL LEADER

Mr. Lester B. Pearson has been chosen to replace Mr. Louis St. Laurent as Leader of the Liberal Party.

Delegates to the national Liberal convention at Ottawa chose the former Secretary of State for External Affairs to fill the post left vacant by the resignation of Mr. St. Laurent, who had been Liberal Leader and Prime Minister from 1948 until the general election of June 1957.

When ballots were cast on January 16, Mr. Pearson received 1,074 votes. His principal opponent, Mr. Paul Martin, former Minister of National Health and Welfare, gained the votes of 305 delegates. The third candidate for the leadership, Rev. H.L. Henderson, mayor of Portage la Prairie, Man., received one vote.

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DISTINGUISHED VISITORS

HRH Prince Souvanna Phouma, Prime Minister of Laos, and three ministers of the Laotian Government paid an official visit to Canada January 16-19.

Members of the official party were the Prime Minister, who was accompanied by HRH Princess Souvanna Phouma, and their daughter, HRH Princess Moune Souvanna Phouma; the Minister of National Defence, Sports, and Youth Affairs, Mr. Ngon Sananikone, and Mrs. Sananikone; the Minister of Finance, Mr. Leuam Insisiengmay, and Mrs. Insisiengmay; the Minister of Public Works and Transport, HRH Prince Souk, and HRH Princess Souk.

In Ottawa, the visitors held meetings with Prime Minister John G. Diefenbaker and with Mr. Sidney E. Smith, Secretary of State for External Affairs, called on Governor-General Vincent Massey, held discussions with Cabinet Ministers and with Government officials regarding the Colombo Plan, and attended a session of Parliament.

During a stay in Montreal the Laotians were received by Mayor Sarto Fournier and paid a visit to the University of Montreal. HRH Prince Souvanna Phouma and HRH Princess Souvanna Phouma gave a reception at the Windsor Hotel for young Laotians who are studying in Montreal.

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DAIRY PRODUCTS PRODUCTION

Larger quantities of creamery butter, cheddar cheese, and concentrated milk products were made in Canada in 1957 than in the preceding year, according to preliminary figures released by the Dominion Bureau of Statistics. Ice cream production was slightly smaller.

Production of creamery butter was slightly larger in the full year at 304,498,000 pounds versus 303,248,000 in 1956. Year's estimated domestic disappearance increased 3 per cent to

322,760,000 pounds from 313,538,000. Declines in production in Nova Scotia, New Brunswick and Ontario were more than outweighed by increases in the other provinces.

Year's make of cheddar cheese rose 11 per cent to 93,194,000 pounds from 84,144,000 in 1956. Production gains were posted for all provinces except Prince Edward Island and Alberta. Ice cream make declined slightly to 33,175,000 gallons from 33,217,000.

Output of concentrated milk products increased 12 per cent to 540,609,000 pounds in 1957 from 484,020,000 in the preceding year. Production of whole milk products rose 5 per cent to 382,909,000 pounds from 365,477,000, and milk by-products 33 per cent to 157,700,000 pounds from 118,543,000.

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WUS SCHOLARSHIPS

During the 1958-59 academic session, fifteen World University Service Scholarships will be available for overseas students at Canadian universities. Bilateral scholarships, that is, scholarships on an exchange basis, have been offered by the University of British Columbia (6), and the University of Saskatchewan (2). The remaining 7 offers, which do not require exchange arrangements, will be available at Alberta (2), Saskatchewan (2), McMaster (1), Toronto (1), and the University of New Brunswick (1).

The terms of the scholarships vary, but they are valued at approximately \$1,200 each. In every instance they provide for full board and lodging for the period of the academic year (September - May), tuition fees, book allowance, and some pocket-money. Travel grants are not available. Full details of the scholarships will shortly be sent to World University Service National Committees in the countries to which the offers are made.

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MILESTONES IN NORTHERN EDUCATION

The people of the Northwest Territories began the new year with the opening of a new school and hostel at Fort Smith.

The Fort Smith Federal School, with 20 classrooms, combines residential facilities for the children with a curriculum that carries them from Grade One to Senior Matriculation. Vocational training for both boys and girls is an important feature in the curriculum with the emphasis on skills that are most urgently needed and in shortest supply at this stage in the north's development. The new school and hostel, built by the Department of Northern Affairs, include a consolidation of the residential school at Fort Resolution and the two smaller schools already at Fort Smith. The Department is responsible for providing schools, teachers and curriculum throughout the Northwest Territories.

CANADA'S COMMERCIAL FISHERIES

(Continued from P. 3)

increase in catch levels, principally in the prairie fisheries and in the coarser species, i. e., species other than whitefish, pike-perch, and trout, but an improvement in transportation facilities in those areas would be indicated. No forecast is made of possible improvements in the catch of trout, for instance, in the Great Lakes, as a result of measures for the control of the sea lamprey and other projects being developed under the International Great Lakes Fisheries Convention.

PROSPECTS FOR DEVELOPMENT

A growing Canadian population and the increasing industrialization and urbanization of that population have important implications for the development of the fishing industry. Secondary and service industries can only grow by recruiting a part of their labour force from the farms and fishing villages. Thus, as industrialization proceeds, fishermen and their sons and daughters leave the fishing industry as other employment opportunities become available to them, and the number of fishermen declines either absolutely or as a proportion of the total population. At the same time, increasing demand for fisheries products and improvements in boats and gear may increase the productivity and incomes of those remaining in the industry, making alternative opportunities less attractive and thus setting limits to the exodus from the industry. An increasing demand for fish and rising labour-costs would tend to stimulate capital investment for the improvement of fishing and processing equipment, to increase output per man and keep the unit cost of production from rising with the general wage-level. Changes of this nature have been taking place with accelerated pace in Canada during the past decade.

There are nearly 30,000 primary fishing enterprises in Canada. The amount of capital invested per fisherman varies widely according to the nature of the enterprise from as little as \$500 in a primitive inshore operation to as much as \$15,000 in a modern deep-sea dragger. Capital investment in the primary fishing industry in Canada has been increasing rapidly in post-war years, and the projection of recent rates of investment indicates capital requirements of \$6 to \$7 million a year, or a capital expansion by 1980 of some \$100 million, after allowance for depreciation, above the estimated \$150 million of capital investment in 1955.

In the secondary industry, there were in 1955 some 800 processing enterprises, with a total fixed capital value of \$90 million and

working capital of \$60 million. Estimated requirements for capital expansion approximate a rate of 3.3 per cent in the Pacific area and five per cent or more in the Atlantic provinces, but it is considered unlikely that a five per cent rate can be maintained for the whole Atlantic region over the 25-year period.

Capital value figures, whatever the method of valuation or depreciation used, give very imperfect indications of changes in actual productive capacity. New fishing or processing units are likely to be much more efficient, dollar for dollar of capital valuation, than the units they replace. The recent heavy capital investment in boats and processing plants may have increased productivity in the industry (in spite of the creation of some over-capacity of at least a temporary nature) to a greater extent than is suggested by an estimated 50 per cent increase in primary fishing investment, in real terms, from 1943 to 1954.

The primary industry's labour force totals about 75,000 fishermen, of whom not more than 50,000 are dependent upon fishing as a major source of income. The number has been decreasing, and a continued decline is expected, but at a less rapid rate than that of the past eight years. A more moderate rate of decline, based on changes from 1937 to 1940 and 1947 to 1954, indicates a 16 per cent decrease in the number of fishermen between 1954 and 1980.

About 16,000 workers are now employed in the fish processing industry at peak production periods, a great many in small plants with an average of 20 workers each. Here, too, the concentration and mechanization of operations has led to the progressive reduction of the number of persons employed, and this process is expected to continue.

AIR AGREEMENT

The Secretary of State for External Affairs and the Minister of Transport have announced the signature in Berne of an agreement on air services between Canada and Switzerland.

The agreement provides for the reciprocal exchange of routes between the two countries. It will permit a designated carrier of each country to serve one traffic point in a territory of the other country and to carry in transit, traffic to agreed points in third countries. The Swiss Airline will be authorized to carry traffic between Switzerland and Montreal while the carrier to be designated by the Canadian Government will be authorized to carry traffic between Canada and a point in Switzerland to be selected by Canada.