

Canada Weekly

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Economic developments in Canada in 1974

Against the background of unfavourable economic conditions in the outside world, output and employment were relatively well sustained in Canada in 1974.

The reduced availability of international oil supplies in the early part of the year had little direct impact on economic activity in this country. Domestic spending remained relatively strong until well into the year, with business investment in expanded production facilities in particular continuing to provide strong support to the economy. However, as the year progressed the developing cyclical downturn abroad came increasingly to bear on demand and prices for Canada's major exports. In addition, some sectors of domestic demand, which had been extremely buoyant, began to soften; this was especially true of spending on housing, automobiles and other durable goods. With domestic demand still relatively strong, however, imports continued to rise rapidly, and in the second half of the year Canada was faced with an adverse movement in its terms of trade and a marked deterioration in the current account of the balance of payments. Towards year-end output declined, the growth of employment tapered off, and unemployment began to rise. At the same time, domestic prices continued to rise at a rapid rate and efforts by wage and salary earners to maintain and, in some instances, to improve their relative positions resulted in strong upward pressure on the structure of domestic costs.

Increased spending

Information at hand suggests that total spending in money terms in Canada averaged some 17 percent higher in 1974 than in the previous year. Most of the increase in spending reflected a rise in the over-all price level of about 13 per cent. The growth in real output of goods and services, approximately 3.5 per cent on a year-to-year basis, was appreciably less than recorded in each of the three preceding years and was confined to the early part of 1974.

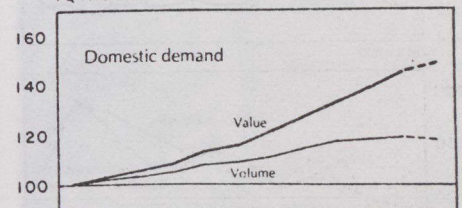
Following sharp gains in the closing months of 1973, total real output continued to expand at a very high rate in the early months of 1974, but it then remained approximately flat at a peak level until the last quarter, when it declined appreciably.

The spurt in production in late 1973 and early 1974 added to the pressures on capacity that had already been experienced during 1973, thereby limiting

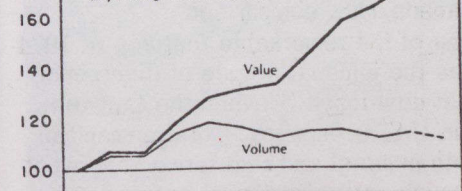
Major Economic Indicators

Seasonally adjusted

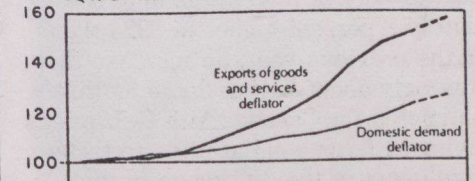
Demand
1 Q 1972 = 100



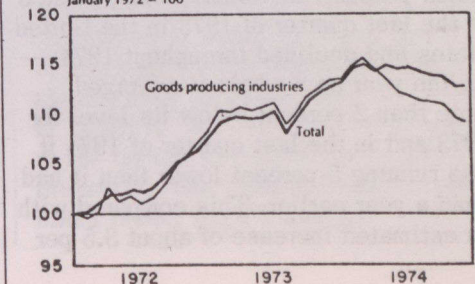
Foreign demand
(exports of goods and services)



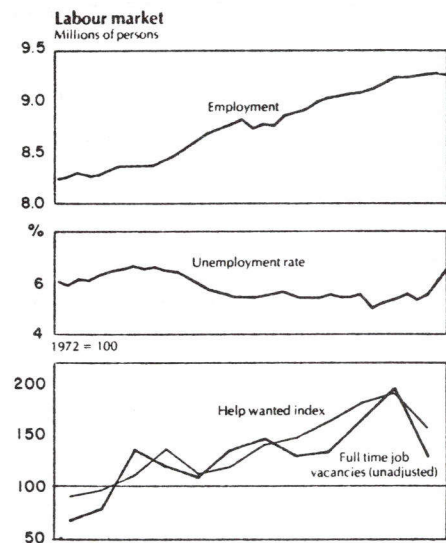
Prices
1 Q 1972 = 100



Real domestic product
January 1972 = 100



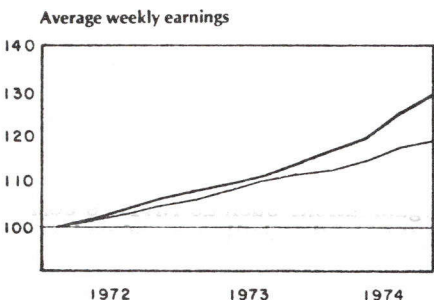
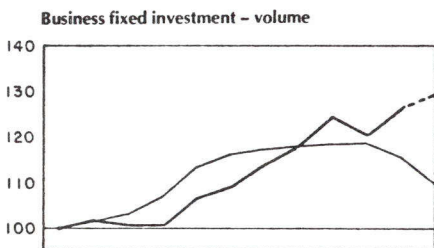
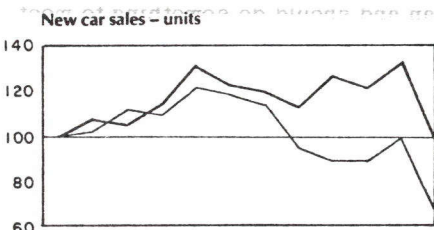
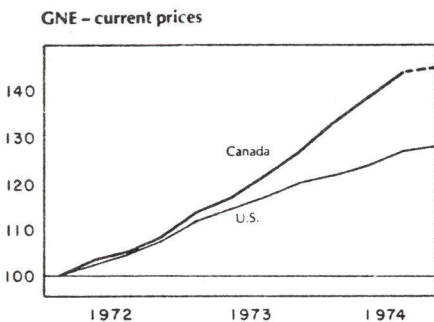
further increases in output in the short-run. Strains also continued to be evident in the job market throughout much of 1974. In addition, production was adversely affected by the heavy incidence of work stoppages, particularly in the spring and early summer. With the weakening of demand that began to appear in some sectors of the economy in the spring, pressures on capacity gradually eased and shortages of men and materials became much less prevalent.



Canada/U.S. comparison

One of the remarkable features of 1974 was the unusual degree of divergence that developed between the Canadian and U.S. economies. Total demand in both nominal and real terms underwent a much earlier and more pronounced easing in the United States than occurred here. U.S. gross national product at current prices was approximately 8 percent higher in 1974 than in the previous year, an increase that was only about half as large as that estimated for Canada. With U.S. prices rising at fairly similar rates to those here, most of the difference in the climate of demand was reflected in the performance of real output. Gross national product, in volume terms, peaked in the last quarter of 1973 in the United States and declined throughout 1974; for the year as a whole it averaged more than 2 percent below its level for 1973 and in the last quarter of 1974 it was running 5 percent lower than it had been a year earlier. This compared with an estimated increase of about 3.5 per

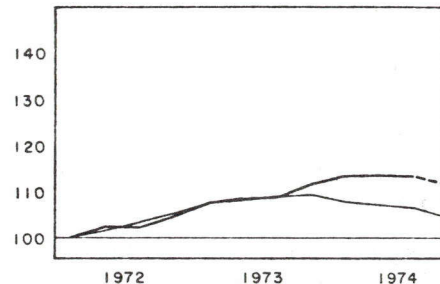
Selected Indicators: Canada-United States
1 Q 1972 = 100, seasonally adjusted



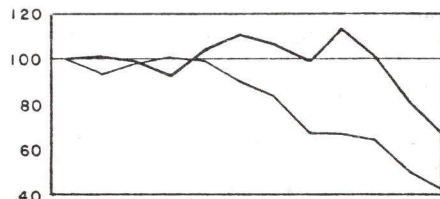
cent on a year-to-year basis in Canada and apparently little net change from year-end to year-end. In both countries employment was remarkably well sustained relative to output through most of 1974, but unemployment began to rise dramatically in the United States towards year-end and in January 1975 the seasonally-adjusted unemployment rate in that country was 8.2 per cent, compared with 6.7 per cent in Canada.

Despite the similarities in price performance in Canada and the United States in 1974, some significant signs of divergence on this front were also beginning to appear by year-end. Some underlying U.S. price and cost indicators have recently appeared to be

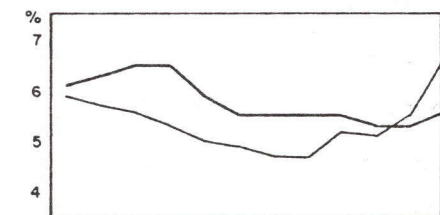
GNE - constant prices



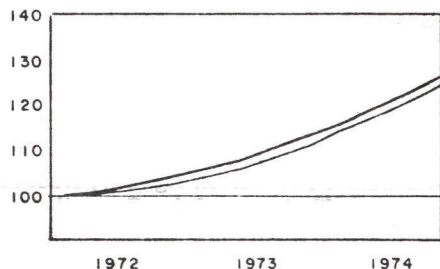
Housing starts - units



Unemployment rate



Consumer price index



much more favourable to a near-term moderation of inflation than is the case for Canada. Although unit labour costs have risen very rapidly in the United States, partly because of an even more adverse productivity performance than experienced in Canada, wage and salary levels have been rising at a much more modest rate there than here. Increases in weekly wages have not registered any very pronounced acceleration in the United States and, from at least mid-year, wage settlements in that country appeared to be running at about half the scale of increases being established in Canada.

(From 1974 annual report of the Bank of Canada.)

Emergency relief for South Vietnam and Cambodia

"To help meet the urgent need for humanitarian relief programs in South Vietnam and Cambodia, arrangements are being made to provide emergency assistance immediately and in the longer term," Secretary of State for External Affairs Allan MacEachen announced on April 4.

"The first phase of Canada's response to this changing situation will consist of a total of up to \$6.25 million."

Mr. MacEachen had previously stated on March 27, that \$1.75 million would be contributed to UNICEF, UNHCR and Red Cross emergency relief programs. An additional \$2 million would, he said, be contributed through the Canadian International Development Agency to these organizations.

"We also plan to provide \$2.5 million in food aid based on need and the availability of secure distribution points. A second phase of relief assistance is also being planned and the specifics of this phase will be announced later."

Mr. MacEachen said that the Canadian Government deplored the suffering being caused for civilians by the war in South Vietnam and while Canada was not in a position to play a significant political role in the situation, there were some things that Canada could and should do. "We can and should do what we can to alleviate the suffering of the civilian populations in the affected countries," he said. "We can and should do something to meet the desires of refugees for whom departure from those countries seems necessary, and the desires of Canadians who wish to take them into their own families in Canada. I am thinking especially of orphans and of the close relatives of Canadian citizens and residents of Vietnamese origin."

On April 6, 61 Vietnamese orphans arrived in Vancouver and, in Ottawa on April 7, the Minister of Manpower and Immigration, Robert Andras, stated in the house of Commons that a further 50 to 150 children may come to Canada.

Canada/U.S. discuss environment, sign weather agreement

Canadian Minister of the Environment Jeanne Sauvé visited Washington on March 26 and 27, at the invitation of the United States Government for talks with Russell Train, Administrator, Environmental Protection Agency, Russell Peterson, Chairman of the Council on Environmental Quality, Christian A. Herter Jr., Deputy Assistant Secretary of State for Environmental and Population Affairs, and Richard D. Vine, Deputy Assistant Secretary of State for Canadian Affairs.

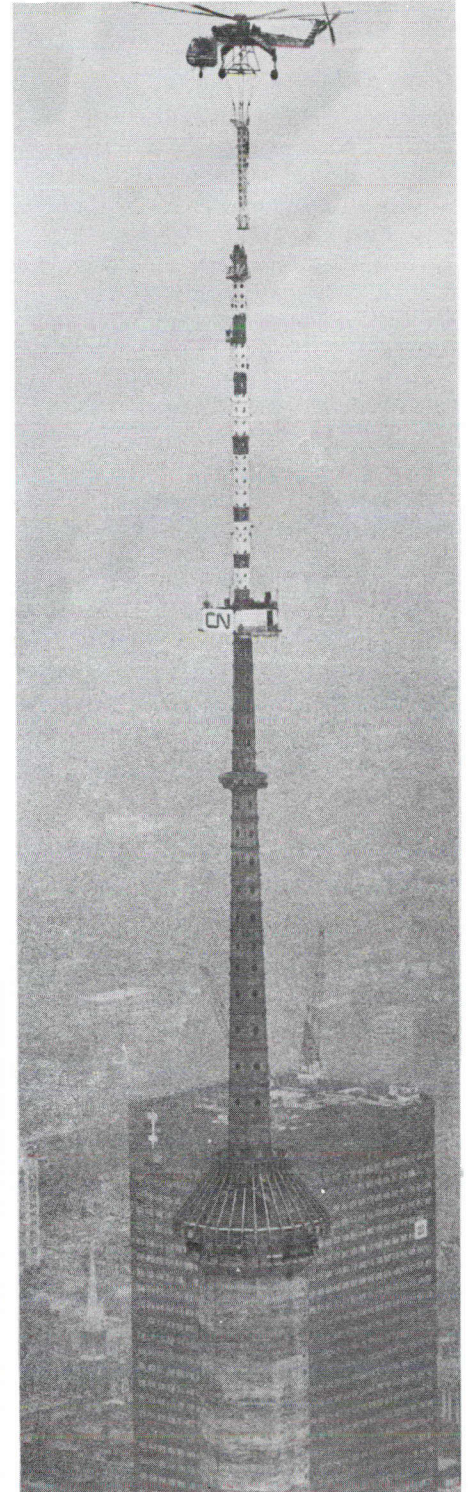
The visit was highlighted by the signing of an agreement between the two countries on exchange of information, advance notification and consultation concerning weather modification. Even though the technology of weather modification is as yet rudimentary, Canada and the U.S. believe that co-operative measures are already required, as expressed by the agreement. They noted that some of these techniques had already been used to induce rainfall, alleviate drought, quench forest fires, or to suppress hail.

The discussions were wide-ranging and candid. They covered environmental policies in the current economic and energy situation and the environmental activities of international organizations such as NATO's committee on the challenges of modern society, United Nations environmental programs, Economic Council of Europe and Organization for Economic Cooperation and Development. A number of specific bilateral concerns were also discussed.

Energy and environment no conflict
Messrs Train, Peterson and Mrs. Sauvé agreed that the current concern in both countries for energy sources need not be in conflict with good environmental management. The growing public awareness of the limits of non-renewable resources should encourage the pursuit of conservation techniques.

Following discussions of the implications for each country of the other's

(Continued on P. 6)



CN Tower topped off in record time

The last section of CN Tower's 335-foot antenna mast is put in place, April 2, 26 days after work began with Olga, the Sikorsky Skycrane. The CN Tower in Toronto, now over 1,815 feet high, is the tallest free-standing structure in the world. (See Canada Weekly, combined issue, April 2 and 9.)

Weatherman goes metric

An important step toward metric conversion in Canada took place on April 1 when the Atmospheric Environment Service of Environment Canada introduced temperature reports in degrees Celsius.

Public forecasts, information provided through the media and responses to telephone enquiries all reflected the change.

The ninth General Conference on Weights and Measures adopted the Celsius degree as the temperature standard in 1948. The Celsius scale was devised some 230 years ago by the Swedish astronomer Anders Celsius, who divided the temperature range between the freezing and boiling points of water into 100 equal units or degrees.

To help Canadians to become familiar with the system, Environment Canada published the following temperatures for easy reference:

Water boils	100°C
Normal body temperature	37°C
Room temperature	20°C
Water freezes	0°C
Car won't start	-35°C

Almost 95 per cent of the world's population live in countries which are using or are changing to the metric system. Countries currently making the changeover include Britain, Australia and New Zealand, traditional users of the inch-pound system.

Metric conversion will be introduced gradually in weather forecasts and reports. Within the next year precipitation, wind speed and atmospheric pressure will be provided in metric units.

The introduction of the Celsius degree is an important step towards metric conversion and is in keeping with other changes occurring throughout Canada.

Women's status grant to Colombia

The Colombian Association for the Study of Population, has received \$60,000 from the Canadian-funded International Development Research Centre (IDRC) for a two-year study on the status and role of the Colombian and Latin American women in a transitional society.

Britannia airways chooses CAE for Boeing 737 simulator

CAE Electronics Ltd has been chosen by Britannia Airways to develop and manufacture a Boeing 737-200 flight simulator for delivery late in 1976.

Britannia Airways, based at Luton Airport in England, operates a fleet of 14 Boeing 737 twin-jet aircraft on international charter and inclusive tour flights serving the Mediterranean area, Spain, the Canary Islands and other areas.

Although CAE has manufactured simulators for the Boeing 747 and 727, the Lockheed 1011 TriStar and the Douglas DC-8, DC-9 and DC-10 jet aircraft types, and a variety of heli-

copters and military aircraft, this is the first order for a Boeing 737 simulator.

Currently under development at CAE are eight commercial flight simulators, including two Boeing 747s, three DC-9s, two Boeing 727s and now the Boeing 737.

In addition, the company is in the process of delivering eight Bell UH-1D helicopter simulators to the defence forces of West Germany, and is developing two CH-53 simulators for the same customer and a CH-47C helicopter simulator with visual attachment for the Government of Iran.



Shakespeare sonnets for Stratford Festival Foundation

A special collectors' edition of Shakespeare's sonnets, held above by British actress Dame Peggy Ashcroft, examined by Ontario's Agent General in London, Ward Cornell, is destined for the Stratford Shakespearean Festival Foundation in Ontario. Dame Peggy presented the book recently to Canada's High Commissioner in Britain, Paul Martin, to mark the

centenary this year of Britain's Royal Shakespeare Theatre in Stratford-upon-Avon.

Similar copies of the book were given to representatives of Australia and New Zealand by the publishers, Shephard-Walwyn of London, to acknowledge the strong ties between the theatre of the bard and major theatres in Commonwealth countries.

Multinational ocean mining agreement

Canada, the United States, Japan and the Federal Republic of Germany will co-operate in a venture for the mining of manganese nodules from the deep ocean.

Taking part in the project are The International Nickel Company of Canada, Limited and its U.S. subsidiary, The International Nickel Company, Inc.; the Deep Ocean Mining Co., Ltd (DOMCO), which is being established to represent Japanese companies from the Sumitomo and other leading Japanese groups; and several German companies organized under the name AMR (Arbeitsgemeinschaft Meerestechnisch Gewinnbare Rohstoffe) consisting of Metallgesellschaft AG, Preussag AG, Rheinische Braunkohlenwerke AG, and Salzgitter AG.

Interests will be shared equally by all participants; the venture will probably be expanded to afford involvement by others.

The agreement calls for the parties to proceed with design and development work to determine the economic and technical feasibility of mining manganese nodules from the ocean floor. The parties contemplate the eventual establishment of facilities for commercial-scale ocean mining and the recovery of metals from manganese nodules which contain important quantities of nickel, copper and cobalt.

NFB again wins British film prize

For the fourth time during the past six years, the Robert Flaherty Award of the British Society of Film and Television Arts for best documentary film has been won by the National Film Board of Canada. The trophy was presented by Princess Anne by Boyce Richardson and Tony Ianuziolo, co-directors of the winning film, *Cree Hunters Of Mistassini* at the Royal Albert Hall in London.

The award for best animation went to the NFB film, *Hunger (La faim)*, which was directed by Peter Foldes. This short film, made with the help of the National Research Council computer, has been a winner at several festivals and was also a nominee for an Oscar earlier this month.

Canadian candidate for FAO chief

Canada has put forward Dr. W. David Hopper, president of the International Development Research Centre (IDRC), as a candidate for the position of director general of the Food and Agriculture Organization (FAO), announced Secretary of State for External Affairs Allan J. MacEachen on April 4. The position becomes vacant at the end of 1975 with the retirement of the incumbent.

The aim of the FAO, an organization Canada helped to establish in 1945 in Quebec City, is to advance the common welfare by promoting separate and collective action to raise levels of nutrition and standards of living, to secure improvements in the efficiency of the production and distribution of all food and agricultural products, to better the conditions of rural populations and thus to contribute toward an expanding world economy.

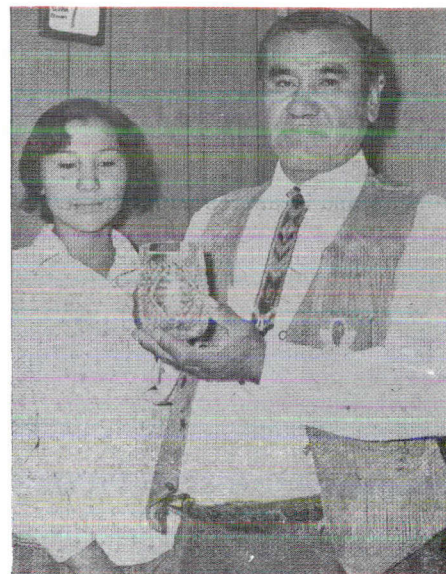
Dr. Hopper has had extensive experience in the research and practice of agriculture and food development in developing countries. He has also been a leader in relating population problems to social and economic development, especially rural development. His work in world agricultural development has influenced activities at national, regional and international levels, and he has had a close association with FAO and the major world investment and agricultural research agencies. Dr. Hopper was directly involved in the establishment of the network of international agricultural research centres and was closely associated with the so-called "green revolution" that has greatly expanded rice and wheat production in Asia.

Champion oyster shucker

Joe Labobe, a Micmac Indian, recently achieved distinction by becoming the new oyster-shucking champion at Prince Edward Island. Mr. Labobe and Raymond Lewis, another Indian Band member, competed in a field of seven in the annual P.E.I. Tyne Valley Oyster Festival and Joe came first by cleanly opening 12 oysters in one-and-a-half minutes. Both men represented the Lennox Island Indian Co-operative.

The fruits of Mr. Labobe's efforts

included \$500 in cash and an all-expense-paid trip to Galway, Ireland, where he competed in an oyster-shucking contest against other national champions from Norway, England, Ireland, Switzerland, and from France.



Joe Labobe and daughter Mary admire the cut glass mug he received as a souvenir from Ireland.

Joe experienced difficulties with the unfamiliar knife provided and he came in fifth. Notwithstanding the disappointment of not winning, he was enthusiastic about the whole trip, particularly the generous hospitality of the Irish hosts. In appreciation, Mr. Labobe presented a beaded Canadian Indian necklace to Mayor F. Coogan of Galway.

Scholarships for Canadian women

Ten post-graduate scholarships in business administration will be awarded to Canadian women as part of the Federal Government's activities for International Women's Year. The scholarships, payable over two years, will be awarded through national competition open to all female Canadian citizens who are academically qualified.

The funds will be for tuition and expenses for a master's degree in business administration at a Canadian university.

The program, which will be administered by the Association of Universities and Colleges of Canada, is the first created specially for women.

Arts Centre chalks up deficit

Despite a 16 percent increase in the number of performances and a continuing rise in attendance, the seventh annual report of the National Arts Centre, tabled recently in the House of Commons, shows a box-office loss of over \$5 million for 1973/74.

Statistics released by the Centre indicate that from July 1, 1973 to June 30, 1974 the Centre staged 999 performances, compared to 862 the previous year. During that period 740,012 people attended NAC presentations, which played to 72.9 percent capacity. Corresponding figures for 1972/73 were 675,438 and 76.8 per cent.

The National Arts Centre Orchestra continued to draw the largest audiences, playing to 96.6 percent capacity, while theatre productions attracted 93.2 per cent.

In the fiscal year April 1, 1973 to March 31, 1974, program administration and restaurant costs amounted to \$9.99 million; total revenue from box-office receipts (including rentals), garage facilities and the restaurant amounted to \$4.84 million.

The net cost of \$5.15 million was absorbed by a federal grant of \$4.6 million, grants from the Canada Council, the Ottawa-Carleton municipality and others.

Preservation of national treasures

The Federal Government is moving to preserve the national heritage by preventing the uncontrolled dispersal of national treasures through export.

Bill C-33, the Cultural Property Export and Import Control Act, which will regulate the import and export of such objects and provide special tax incentives to encourage Canadians to

dispose of their national treasures to their institutions, was given second reading in the House of Commons recently by Secretary of State J. Hugh Faulkner.

The following features are included in the bill:

The export of national treasures will be regulated by reference to a control list establishing categories and age and value limits. The departure from Canada of an object falling into the category of a national treasure can be postponed if, as the result of an appeal by a person to whom an export permit has been refused, an independent review board judges that a reasonable delay period should be created. This will enable interested Canadian public authorities and custodial institutions to purchase it at a fair market price. If the object is not purchased within the time limits, an export permit will be granted.

The method of export control has been designed to ensure the co-operation of dealers and collectors in Canada. Parliament will be asked for sufficient funds to assist Canadian institutions in purchasing national treasures threatened by export and for which the review board has created a delay period. These funds will also be used to repatriate cultural property related to the Canadian heritage which appears on the international market.

Tax exemptions

Amendments to the Income Tax Act will exempt from capital gains tax national treasures disposed of to designated institutions or public authorities in Canada and will make gifts of national treasures to designated institutions and authorities deductible from taxable income on the same percentage basis as if they were gifts to the Crown — that is, on a 100 percent basis. The tax exemptions will not be restricted to cases where owners are attempting to export national treasures, thus not creating a disadvantage for Canadians who sell or donate important heritage items to their local institutions.

The legislation also calls for the establishment of a Canadian Heritage Preservation Endowment Account to encourage contributions from the private sector to be used towards the purchase of national treasures to supplement the funds the Government

makes available. Donations will be fully deductible.

The bill contains provisions prohibiting the import to Canada of cultural property illegally exported from other countries. The Attorney-General will institute legal proceedings necessary and Canadian courts will decide what compensation is to be paid to a *bona fide* Canadian purchaser by a state that has signed a bilateral or multilateral cultural property agreement with Canada when an object is to be returned to that state. These provisions are necessary for Canada to ratify the 1970 UNESCO Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property.

"Just as I believe that the Canadian Government has a responsibility to act as a guardian of the heritage of Canadians, I also believe that this responsibility extends to the cultural heritage of mankind," Mr. Faulkner said, referring to the new bill.

Canada/U.S. weather agreement

(Continued from P. 3)

environmental impact-assessment system, Mrs. Sauvé and Dr. Peterson agreed that U.S. and Canadian officials should meet to discuss guidelines to govern situations requiring co-ordinated trans-boundary assessments.

Bilateral matters discussed included the Garrison Diversion Irrigation Project in North Dakota, the proposed Saskatchewan Power Corporation Power and Mining Project on the Poplar River, the implementation of the Great Lakes agreement, co-operative measures to abate air pollution in Detroit, Windsor-Port Huron, Sarnia region, water quality in the Saint John River and Lake Memphremagog, the proposed Dickey-Lincoln School Lakes Project, regulatory measures for Richelieu River and Lake Champlain, and the challenges posed by the need to protect the marine environment from oil spills in coastal waters of mutual concern.

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