



CANADA

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## TWO CRUCIAL TRADE CONFERENCES

Addressing the Toronto branch of the United Nations Association in Canada on April 19, Mr. Mitchell Sharp, the Minister of Trade and Commerce, told his audience that world trade, always a matter of great concern to Canada, was particularly so in 1964, the year of the United Nations Conference on Trade and Development (now in session in Geneva) and of the so-called "Kennedy round" of trade and tariff negotiations under the sponsorship of the General Agreement on Tariffs and Trade, which is scheduled to begin in May.

A partial text of Mr. Sharp's remarks on these topics follows:

...Trade has far-reaching implications for the health of the Canadian economy as a whole. Stronger trade usually means that the whole performance and competitiveness of the economy is stronger. In this respect, the upward trend of Canadian exports in recent years has been most encouraging. Last year, merchandise exports reached an all-time high of \$7 billion, 11 per cent greater than in 1962, with the result that our merchandise-trade surplus tripled from \$155 million in 1962 to \$484 million in 1963.

### BROADENING OF EXPORT BASE

Export gains were widespread over many commodity areas. The export of most of Canada's major industrial materials and agricultural and other primary products continued their steady growth - in particular, lumber, wood pulp, iron ore, aluminum, and, of course, wheat, as a result of the contracts signed last year with the Sino-Soviet countries. But our export base has been broadening. Commodity sales in 1963 were indicative of this, when our trade in

such items as electronic control equipment, industrial machinery and a variety of consumer goods showed significant increases. The continuing growth in the exports of manufactured goods is very satisfying. For decades, secondary products have occupied a significant but relatively minor position in Canada's export trade. At times they have accounted for less than one-tenth of total sales abroad. But, over the last three years, the exports of manufactured goods have risen 40 per cent and have steadily increased in relative importance in our external trade.

The United States and Britain continue to be our most important individual markets. In 1963, 56 per cent of Canadian merchandise exports went to the United States and 15 per cent to Britain. The increase in our trade surplus to Britain last year accounted for a very large part of the improvement in the trade balance. In addition, our merchandise surplus with countries apart from the United States and some Commonwealth nations also showed a significant increase, due in large part to the heavy shipments of wheat to the U.S.S.R. in the latter part of the year. On the other hand, there was no reduction in 1963 in our merchandise-trade deficit with the United States. It amounted to \$544 million. Our exports to the United States continued to expand but our imports from that country rose by almost an equal amount.

The improvement in our merchandise-trade surplus meant that our overall deficit on total current account was further reduced in 1963, even though the deficit on non-merchandise transactions, which include



such items as interest and dividends, still amounted to \$1 billion. Last year, the total current-account deficit was only one-third of the peak imbalance of 1959.

PURSUIT OF TRADE DIVERSITY

Our concern with our trade imbalance with the United States and our determination to increase sales to that country does not mean that there has been any change in our basic policy of multilateral trade or in our efforts to seek markets throughout the world. The structure of the Canadian economy is such that the large-scale exchange of goods and services with many countries is the essence of Canadian economic life.

We have had some success in this respect. There has been an impressive growth in sales to Western Europe and Japan. We have been able to develop new markets throughout Central and South America. And the successful negotiation last year of the major grain contracts with the U.S.S.R. and Mainland China represents further trade diversification.

As a result of these large wheat contracts, Russia and Mainland China will be among our top half dozen foreign markets in 1964. We probably cannot expect to achieve such large export sales of wheat to these countries in the ensuing years. But there is evidence that steady markets for wheat and for some other types of commodity can be developed and maintained with the Sino-Soviet bloc - particularly as these countries are brought into increasingly intimate trade contact with market economies throughout the world. It seems unlikely, however, that our trade with these countries will develop to the stage where it will make any dramatic change in our trading patterns. Much depends upon their needs for our goods and on the decisions taken by their leaders, which may involve many considerations beyond those concerned with trade. Nevertheless, our readiness to deal in a fair and straightforward manner with the governments of Communist countries who need our goods could result in the development of greater mutual understanding and a reduction in international tension....

BASIS OF GATT

The basis on which the GATT operates, of course, is that of multilateral and non-discriminatory trade. The Agreement was, in fact, drawn up in an attempt to avoid the restrictive beggar-my-neighbour type of trading system which had gained such a tight hold on world commerce during the depression years of the thirties. As we have seen, most of the planned economies of the Communist world, by contrast, still operate under strict state controls and trade on an entirely bilateral basis. Therefore, the ability of such countries to participate in the work of the Agreement, with all its rights and obligations, is limited by the nature of their economic system and trade practices.

Nevertheless, GATT has in the past proved to be a most flexible instrument, capable of adapting to a wide number of problems. While the efforts so far made to seek a solution to this particular problem

have not yet met with any substantial results, the successful participation of certain of the state-trading countries in the work of the GATT, and the continuation of efforts to work out methods of closer contact, give promise that some progress may be made through this forum in dealing with the general problems.

FAR-REACHING TRADE NEGOTIATIONS

The "Kennedy round" of GATT negotiations beginning next month could be the most important for Canada and for the world trading community held so far in the post-war period. These far-reaching trade negotiations are to cover all classes of products, including agriculture, and will deal with non-tariff as well as tariff barriers. The "Kennedy round" presents the possibility of substantial reductions in the rates of duty on thousands of U.S. dutiable items. There is a possibility of major cuts in the tariffs surrounding the expanding economies of the EEC and Japan; and there is also the possibility of the removal of non-tariff barriers confronting many of our exports to world markets.

ADVANTAGES TO CANADA

I believe that Canada's trading and overall economic position can be strengthened through our participation in these negotiations. Any substantial improvement in our current-account position will have to come largely in the area of merchandise trade. To a large extent this means an increase in export sales, particularly of manufactured products. Such increases in the exports of manufactured commodities can only be achieved through large-scale production for world markets, which in turn depends upon Canada obtaining better access to foreign markets. Consequently, a reduction in world trade barriers is an important factor in attaining our economic objectives.

For this reason, Canada supports the efforts being made for world trade liberalization and is prepared to participate fully in the coming negotiations. The major industrialized nations, in particular the United States, the European Economic Community and Britain, agreed that, with certain exceptions, these negotiations should be conducted on the basis of across-the-board linear tariff cuts rather than on a selective commodity-by-commodity basis, as in previous negotiations....

A programme of linear tariff cuts would provide much less in terms of sales opportunities in world markets for basic industrial materials than for manufactured products. Manufactured products at present make up two-thirds of Canada's imports, but only about one-sixth of our exports. Consequently, an acceptance of a linear approach by us would provide much more scope for the expansion of sales of manufactured products in Canada than for the sale of Canadian products abroad. Such a course of action would worsen rather than alleviate Canada's balance-of-payments problem.

This was recognized at the ministerial meeting and it was agreed that participation by countries such as Canada could be on a different basis, ensuring reciprocity of benefits but not excluding



## NEW CULTURAL PROGRAMME

The Secretary of State for External Affairs announced recently that, under the Government's new programme of cultural relations with countries entirely or partially of French expression, the Canada Council had been authorized to undertake the following projects in the arts:

- (1) the acquisition of three studios at the Cité internationale des arts in Paris for the use of Canadian artists of renown;
- (2) the awarding of a \$3,500 grant to the Société dramatique de l'Université d'Ottawa to attend the International Festival of University Theatre Groups to be held in Nancy, France, from April 18 to 26, 1964. (This group has been delegated by the Executive Committee of the Association of Canadian University Theatre Companies to perform Ionesco's work "La cantatrice chauve" at the Festival.)

The communiqué issued at the conclusion of the Prime Minister's visit to France from January 15 to 17 noted that the French and Canadian Governments had agreed to further the development of cultural

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## NIGERIAN MINISTER VISITS

The Nigerian Minister of State for Navy, the Honourable Matthew Mbu, accompanied by the permanent Defence Secretary, Sule Kolo, made a tour of Canadian defence installations at which members of the Nigerian armed forces were training from April 21 to 26.

On April 22, the Nigerian defence party met the Canadian Chiefs of Staff and Department of External Affairs officials and lunched with the Associate Minister of National Defence, Mr. Lucien Cardin.

On April 22, Mr. Mbu and Mr. Kolo journeyed aboard a Royal Canadian Air Force aircraft to Camp Borden, Ontario, where they interviewed officer cadets of the Nigerian Army training at the Royal Canadian School of Infantry. They also toured the facilities of the Royal Canadian Armoured Corps School and the Royal Canadian Army Service Corps School.

The Nigerian defence officials travelled to RCAF Station Penhold, Alberta, on April 23. Next day they interviewed Nigerian flight cadets training there, and were guests of honor at a wing's parade.

Mr. Mbu and Mr. Kolo visited HMCS "Naden", Esquimalt, British Columbia, on April 25, to interview Nigerian officers and apprentices training at the naval base, and to tour the Fleet School facilities.

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## OTTAWA-QUEBEC CONSERVATION PLANS

Forty-four new soil and water conservation projects have been approved for the Province of Quebec under the Agricultural Rehabilitation and Development Act, according to a joint announcement made recently by federal Forestry Minister Maurice Sauvé and Quebec Agriculture and Colonization Minister Alcide Courcy. The total cost will be \$1,595,000,

exchanges. The Canadian programme will involve the granting on a reciprocal basis of scholarships and fellowships, and the promotion in French-language countries of Canadian arts, both performing and visual. In its operation, the Government will have the advice and assistance of the Canada Council, which has accepted the responsibility for administration of the programme. It is hoped that the programme will encourage the development of academic and artistic exchanges and presentations between Canada and other countries entirely or partly of French expression.

An appropriation of \$250,000 is envisaged for the programme in 1964-65. The greater part of this amount will be expended in the form of scholarships, fellowships, teaching-fellowships, study grants, travel grants, etc., to bring to Canada professors, scholars, scientists and artists of renown from countries of French expression. Detailed arrangements regarding the operation of the academic aspects of the project will shortly be the subject of consultations with the governments concerned.

to be shared equally by the federal and provincial governments.

All these projects are aimed at flood reduction and the improvement of drainage, to increase the amount of arable land available to farmers. Most of them will involve dredging and other measures for the improvement of some 309 miles of stream channel.

About two and a quarter million cubic yards of earth will be moved - most of it by dredging to clear stream channels. Nearly 40,000 arpents (33,300 acres) of land will be reclaimed, protected or rehabilitated for the benefit of more than 1,300 farmers.

The projects were proposed by Quebec under the general terms of the ARDA legislation, which includes soil and water conservation measures, and is generally aimed at improving income and employment opportunities in rural areas of Canada.

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## OLD PLANE OBJECT OF SEARCH

To complete an exhibit of fighter aircraft used by the Royal Canadian Air Force through the 1920's to the present day, the Air Force is attempting to locate one of the "Siskin" biplanes that were introduced into service in May 1929.

Ten "Siskins" were purchased by the RCAF, and all but one have been accounted for. Aircraft number A-26 was sold by War Assets in September 1946, but there is no record of who purchased it.

The planned exhibit is being arranged in connection with National Air Force Day, which is scheduled to take place at RCAF Station Rockcliffe, near Ottawa, on June 6.

Other aircraft in the display will include a "Hurricane", a "Spitfire", a "Vampire", a "Sabre", a CF-100, a CF-101B and a "Bomarc".



### U.S.-CANADA AIR PACT

Re-negotiation of the 1949 Air Transport Agreement between Canada and the United States began in Washington on April 27.

The civil-air relations between Canada and the United States were discussed by the Prime Minister and the late President Kennedy at their meeting in Hyannis Port in May 1963. At that time, it was agreed that discussions would be initiated to study air-travel arrangements from the point of view of the travelling public and the airlines of the two countries. Subsequently, President Kennedy directed Professor John K. Galbraith of Harvard University to undertake a study of the air relations between Canada and the United States. Professor Galbraith visited Ottawa and Washington, and held discussions with government officials and representatives of the airlines of both countries. His report to President Kennedy, in which he recommended re-negotiation of the 1949 agreement, was also made available to the Prime Minister.

The Prime Minister and President Johnson gave further consideration to this subject at their meeting in Washington in January of this year, and agreed that negotiations on the bilateral air agreement would begin shortly in order to work out satisfactory arrangements.

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### MILITARY ENVOYS ON TOUR

Military, naval and air attachés accredited to Canada from 23 countries are now on a familiarization tour of Western Canadian defence and industrial establishments that began April 21 and will end on May 2.

The group, which left Ottawa aboard an aircraft of the Royal Canadian Air Force, flew to RCAF Station Cold Lake, Alberta, to witness a flying display and tour 6 Operational Training Unit, 42 Radar Squadron, the Central Experimental and Proving Establishment detachment, and 10 Field Training Unit.

The tour will include a visit to Whitehorse, Yukon Territory, and to the headquarters of the Northwest Highway System. At Calgary, Alberta, the attachés will visit Canadian Army installations where they will witness rescue training at Camp Sarcee.

The group will tour HMCS "Naden" and the Royal Canadian Navy Fleet School at Esquimalt, British Columbia. They will travel to Vancouver aboard the destroyer escort HMCS "Saskatchewan" before returning to Ottawa by air.

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### ICE-BREAKING REPAIR SHIP

The world's first ice-breaking cable-repair ship is being built for the Department of Transport's Coast Guard service in Montreal. The vessel will be named when she is commissioned on her completion in the spring of 1965. The contract price was over \$8 million.

The ship is twin-screw, diesel-electric powered and equipped to lay and repair cable for the Canadian Overseas Telecommunication Corporation in the Gulf of St. Lawrence, along the Atlantic Seaboard and in the Eastern Arctic. She will lay cable over the bow only and has a capacity of 400 miles of submarine cable in three circular storage tanks.

#### SPECIAL FEATURES

There will be a stern and bow water-jet reaction system to help in manoeuvring at low speeds while engaged in grappling, replacing or repairing cable. The vessel will have two systems of water tanks, one to reduce rolling, called a patent Flume stabilizer, and the other a heeling system to help free the vessel when caught in heavy ice.

The ship has a helicopter deck with telescopic hangar, the latter of a design evolved by the DOT for shipboard helicopter operations.

#### PROPULSION MACHINERY

There will be four propulsion generators, each developing 3,000 brake horsepower, driving two propulsion motors, each of 4,500 shaft horsepower, operated from a common control room and remotely controlled from the wheelhouse and bridge and from the forecandle head. The cable-handling machinery will also be remotely controlled in this fashion.

The full complement of the ship will be about 100 men, including ship's officers and crew, flight officers and an engineer, cable engineers and other officials.

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### REFERENCE BOOK ON SMOKING

"Smoking and Health", the reference book planned as the keystone of the Canadian educational programme on that subject, has been released to the country's physicians and other health workers. Copies of the 170-page, pocket-sized publication, produced by the Department of National Health and Welfare, were mailed recently to Canada's nearly 19,000 English-speaking doctors. The French edition, now being printed, will follow shortly.

The book presents information from research carried out in Canada and elsewhere. A ready reference section prepared by the Department is a feature.

It is the first official publication to appear as the result of the Canadian Conference on Smoking and Health held in Ottawa last November. Priority has been given to basic material for professional health workers, since it is to the latter the public turns for example and guidance. In addition, an information kit for general use will shortly be made available to provincial health departments.

The book contains summaries of reports by the Royal College of Physicians of London, the American Cancer Society and the Advisory Committee to the Surgeon General of the United States Public Health Service. Studies conducted in Canada range from the smoking habits of 78,000 male war pensioners to those of high-school students.



## GROSS NATIONAL PRODUCT

The gross national product during 1963 manifested continuous growth, registering an increase of just over 6.5 per cent in value from the previous year; at a level of \$43.0 billion, the additional value of output over 1962 amounted to \$2.7 billion. With total prices for the year increasing by less than 2 per cent, more than two-thirds of the value increase in 1963 represented a gain in real output. The year ended on a particularly strong note, a 3 per cent increase in the final quarter representing one of the sharpest gains since the beginning of the present expansion early in 1961. In line with the strength exhibited toward the close of the year, the increase between the fourth quarter of 1962 and the fourth quarter of 1963 was over 7 per cent, somewhat greater than that registered by the annual averages.

The keynote of the expansion during the year was its widespread nature, with all components of final demand sharing in the growth; there was little change in 1963 in the moderate rate at which inventories were being built up.

### RISE IN EXPORTS

Though the expansion in final demand was, on the whole, balanced, the notable 11 per cent rise in the level of merchandise exports and the contraction in Canada's deficit on current-account transactions with other countries were the most prominent developments during the year. The rise in exports was dominated by exceptionally large shipments of wheat to Russia in the final quarter of the year, though increased foreign demand was widespread over many commodities. The growth in exports took place against a background of increasing world trade, expanding economic activity in the main industrial countries and one in which the competitive position of Canadian industry appeared to have improved.

### MODERATE IMPORT RISE

Total imports rose more moderately, by just over 5.5 per cent, but the annual average increase does not reveal the relatively greater importance of the supply of foreign goods and services in the latter half of the year. The performance of business fixed-capital formation, including residential construction, was also noteworthy in 1963, with the sharpest relative year-to-year increase since 1956-57. The increase occurred irregularly through the year, but was particularly pronounced at the end of the year, especially in housing, where special federal legislation designed to stimulate winter building of houses came into effect. Consumer demand registered a higher-than-average year-to-year increase and was particularly strong in the final half of the year, accounting for more than half the total increase in gross national product. This pattern was partly the result of the notably buoyant demand for automobiles in the fourth quarter and of general increases in non-durable goods in the prior quarter.

Government expenditure on goods and services, which rose sharply at the beginning of the year, declined slightly in the final quarter owing to lower federal defence and non-defence spending. The year-

to-year increase of under 5 per cent was smaller than the general increase in gross national product and was less than that experienced in both 1961 and 1962. The net of total revenue and expenditure at all levels of government, on a national-accounts basis, resulted in a decline in the annual deficit from that experienced in 1962. During the year the deficit declined progressively from the second quarter, and in the final quarter of the year was the lowest since early 1960.

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## NATIONAL GALLERY PURCHASES

The Board of Trustees of the National Gallery announced recently that two paintings, one by the French artist Jacques-Louis David and the other by the Flemish painter Jan Brueghel, had been purchased for the Gallery's European collection.

David's *Portrait of M. Seriziat*, one of the new acquisitions, is a good example of the spirit of the heroic republic that predominated in French painting during the Revolution. It is a portrait of the painter's brother-in-law, done in 1790, and is particularly interesting as having preceded the famous portrait of M. Seriziat that hangs in the Louvre. The National Gallery's purchase is an oval portrait in oils measuring 21 3/4 inches by 18.

The Brueghel purchase, entitled *Bouquet of Flowers*, demonstrates this artist's success in achieving striking colour compositions. It is painted in oils on a wood panel measuring 28 3/4 inches by 21 3/4.

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## GRANT TO PARKS BODY

It was announced recently by Mr. Arthur Laing, Minister of Northern Affairs and National Resources, that a grant of \$20,000 to aid the development of the National and Provincial Parks Association of Canada had been approved by the Federal Government. Provision for the grant will be included in federal supplementary estimates for the current fiscal year. Mr. Laing stated that the grant would help strengthen the organization of the Parks Association and assist it in becoming self-sufficient.

### NATURE AND AIMS

The National and Provincial Parks Association of Canada was established recently by a number of well-known Canadians. At present there is a 19-member Board of Trustees, to be expanded eventually to 30 members, to include all regions of Canada. The general aims of the Parks Association are to promote the use and management of both national and provincial parks, promote a wider understanding of the park systems in Canada, encourage the expansion of national and provincial parks systems, and preserve places having outstanding natural or historical significance.



TWO CRUCIAL TRADE CONFERENCES

(Continued from P. 2)

across-the-board cuts where appropriate. On this basis, we are approaching the negotiations in a positive way. Our position will be one in which Canada's economic interests are fully safeguarded and in which Canada receives full value in exchange for concessions granted....

DEMANDS OF EMERGENT NATIONS

...During the last decade, we have seen many new nations come into existence. These nations are striving to improve the economic conditions of their people. Pressures are mounting for greater recognition of the special trade problems of less-developed countries and for action by the rest of the world which would give these countries the opportunity for economic growth through greater trade. To date their trade growth has not been satisfactory. And there are dangers of a widening political and economic gulf between the highly industrialized countries of the Western world and the less-developed countries....

What problems stand in the way of the export trade of these less-developed nations? One obvious problem is that of the chronic short-term fluctuations in the prices of tropical commodities such as cocoa and coffee. As an important importer of tropical products, Canada has undertaken to co-operate in international efforts to stabilize prices in the best interest of producers and consumers. Another problem is the difficulty experienced by many less-developed countries in expanding their own production for export. We are attempting to help these countries surmount this problem through aid and technical assistance. However, such aid would be of little value if the products of these countries were met on international markets with restriction and discrimination. Many products of the less-developed countries continue to be confronted with import restrictions, high internal taxes and import charges.

CANADA'S LIBERAL IMPORT POLICY

On this point we, in Canada, need not plead guilty. Our import regime, so far as it applies to the major tropical exports of the less-developed countries, is among the most liberal in the world. Our tariffs on such items are either negligible or have been removed altogether. Ours is a free market for tropical products with no quantitative limitations on imports and our internal tax structure does not inhibit consumption of these important earners of foreign exchange for the less-developed world....

The problems of these developing countries were placed before ministers of GATT nations last May in Geneva. At that time, on behalf of Canada, I declared that we attached "the highest importance to expanding the export opportunities of the developing countries", and that we would be prepared to join with other developed countries in removing

barriers to the trade of less-developed countries. I also noted that the scope for opening up markets for the products of the developing countries was perhaps greatest in the context of the new round of tariff negotiations in GATT—the "Kennedy round"—, which should lead to meaningful reductions in tariff and non-tariff barriers to world trade, including exports of interest to the less-developed countries. In fact, it has been generally agreed that, in the forthcoming multilateral tariff negotiations, the industrialized countries will ensure, as far as possible, that the products of interest to less-developed countries would be included in the negotiations and that tariff reductions of benefit to the less-developed countries will be made without demanding full reciprocity from the less-developed countries concerned.

UN TRADE CONFERENCE

The international trading community is also concentrating much attention on the problems of the developing countries at the United Nations Conference on Trade and Development which is now taking place in Geneva. At this forum the trade problems of the less-developed countries are being discussed thoroughly in relation to their overall economic development....

Canada supported the resolution advocating the Conference and expressed its willingness to join with others in ensuring its successful outcome. In our view, there is no conflict between the GATT activities in this field and the work of the United Nations Conference. They are to a large extent working towards the parallel objectives of lowering barriers to world trade, and finding positive ways of expanding trade as an instrument of economic development....

THE CANADIAN EXPERIENCE

Canada is prepared to make a full contribution to help the efforts of the developing countries. In these endeavours, certain features of our Canadian experience may give us a special appreciation of the needs and problems of developing countries. Through our Commonwealth associations, we have for many years been accustomed to co-operate closely with countries in Asia, Africa and elsewhere which are at various stages of economic development. We have become acquainted with their people and their leaders. Furthermore, Canada occupies in certain respects a unique position in the international trading community. Canada is not a large industrial nation; it is not associated with any regional economic grouping; at the same time it follows a multilateral trade policy and supports efforts for the liberalization of international trade. These factors suggest that Canada may be able to play an important role in the relationship between the highly industrialized nations and the less-developed countries....

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