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## CANADA'S ECONOMY IN 1967

*Mr. Robert Winters, the Minister of Trade and Commerce, said recently that Canada could expect to reach its 1967 export objective of \$11.25 billion, despite a general slowdown in the expansion of world trade.*

*In a year-end review of the economy, Mr. Winters noted that Canada's gross national product had increased by about 7 per cent during 1967 from the previous year but that more than half this increase reflected higher prices. "National output in real terms," the Minister said, "has risen by only about 2.5 per cent, or, if the decline in crop production is excluded, by 3 per cent."*

*Speaking of the export target of \$12.3 billion for 1968, Mr. Winters said "this target calls for an increase in exports greater even than that achieved in 1967". He called next year's objective "an exacting challenge...which must be met, if the economy is to move forward at a pace commensurate with its potentialities".*

*Excerpts from the Minister's statement follow:*

...An important positive element of demand strength in 1967 has been the continuing vigorous growth of sales in foreign markets. Merchandise exports have increased by 11 per cent in the first ten months of this year, compared with last, and over the full 12 months are expected to reach the \$11.25 billion centennial target...

The targeted increase of close to \$1 billion in merchandise exports in 1967 has been realized, despite the slackening of demand conditions in major foreign markets. Canada's sales to the United States, for example, are up by 17 per cent. While total United States imports from all countries have increased by only 5 per cent, Canada's share of the U.S. import market has increased rapidly. Canada now supplies more than 26 per cent of all United States imports compared with 22.5 per cent just two years ago. But exports to Britain show little change

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for the third consecutive year, and sales to most western European countries also reflect the softer market conditions in that area. The sharpest percentage gains in export sales in the past year have been realized in those countries experiencing strong domestic expansion, such as Japan, Australia and Italy.

### DIVERGENT CONDITIONS

Widely divergent conditions have characterized the market for Canada's major exports in 1967. Above-average wheat crops, particularly in the main importing countries, have brought about a pronounced softening in the world wheat market in the latter part of 1967. Consequently the value of wheat and flour exports in the past year is well below the record \$1.14-billion level of 1966. The two-million ton contract just negotiated with mainland China should help to strengthen Canadian and world marketing of wheat.

Much the largest single increase in export sales has occurred in automotive products. Continuing rationalization of the Canadian and United States industries, arising from the Automotive Agreement, has been accompanied by a substantial boost in two-way trade. Exports of automotive products in 1967 are more than half as high again as the \$1-billion figure attained in 1966.



Encouraging progress continued to be made in exports of other manufactured goods as well. Sales of machinery and equipment and finished consumer goods, apart from automobiles, are up by 25 per cent in 1967. Among major resource-based exports, substantial gains have been realized in oil and gas, base metals, potash and sulphur. Large forward sales of uranium to the United Kingdom and Japan have brought a flow of confidence and renewed activity to this important, export-oriented industry.

#### IMPORTS UP

Imports also have risen strongly in the past year, reflecting, as in the case of exports, expanded cross-border trade in automotive products, and in addition, a continuing firm domestic market for consumer goods. Merchandise imports have increased a little less than exports, thus giving a somewhat higher surplus on merchandise trade.

Meanwhile, Canada's deficit on non-merchandise international transactions is appreciably lower in 1967. This is mainly the result of a substantially-improved balance on tourism produced by the upsurge in tourist activity associated with Expo 67 and other centennial attractions. 1967 will see a surplus of \$350 to \$400 million from tourism, as opposed to the 1966 deficit of \$60 million.

Thus the position on all current transactions, both goods and services, has improved markedly in the past year. The evidence available suggests that the 1966 current-account deficit of \$1,137 million has been reduced by at least a quarter.

#### UPWARD PRICE TREND

There are, however, other less salutary developments in the economy which, unless checked, could reverse this favourable trend in our payments position and undermine the very basis of our current prosperity.

Despite slower growth in total demand and output during the past year, there has been little apparent slackening in the upward pressure of costs on prices. To date, manufactured goods prices are up by 2 per cent, consumer prices by 3.5 per cent and the price component of the gross national product by 4.5 per cent. The upward movement of unit costs is reflected not only in higher prices but also in lower profits. Total corporate profits are down 6 per cent so far this year, compared with last and, as a proportion of the gross national product, are now at their lowest point in the postwar period....

The present inflationary dilemma stems in part from lagging productivity. The difficulty has been compounded in the current situation by continuing demands for higher incomes and benefits in both the private and public sectors, out of line with productivity trends. In manufacturing, for example, average earnings during the past year have increased by almost 7 per cent, while output per man-hour has risen by only 2 per cent. Also, in the public sector, new expenditure programmes have been growing faster than national output....

The Federal Government is taking resolute action to meet this situation. The Minister of Finance has announced fiscal objectives which, in essence,

will reduce substantially the growth of government demands upon the economy and at the same time relieve pressures in the financial market. These measures are a necessary first step toward better balance in the economy....

#### OUTLOOK FOR 1968

External demand conditions are likely to show considerable improvement in the year ahead. The tempo of industrial activity in the United States, following the slowdown, early in 1967, is already picking up momentum. The devaluation of the pound sterling will entail temporary dislocation in some markets, but should result eventually in a strengthened economy in Britain and greater financial stability internationally. The expectation of renewed advance in the West German economy should give new momentum to Western Europe. The Japanese economy, meanwhile, continues its strong upward course.

Faster growth in the industrial nations should, in turn, strengthen world commodity markets, with consequent benefit to the food and basic material producing areas of the world. Higher export returns in these areas, coupled with Canada's expanding aid programmes, will lead to new opportunities for trade with the developing countries.

Against this background of improving world demand in 1968, the implementation of the first phase of tariff reductions under the Kennedy Round trade agreements will further enhance export opportunities in the coming year.

Canada must look to these broadened market horizons for the stimulus needed to move the economy forward to new heights of achievement. To make the most of these new opportunities will require ingenuity, initiative and perseverance on the part of Canadian exporters, and appropriate restraint with respect to income demands on the part of all groups in the community. More than anything else, international competitiveness holds the key to this new store-house of opportunity.

#### RESTRAINT NEEDED

It is especially important therefore, in seeking ways to foster growth, to avoid courses of action which impair our ability to compete in world markets. Too much stimulation of domestic demand, for example, would unduly divert our energies and resources from export pursuits and otherwise impede the necessary adaptation to a more open trading world. This is why it is so important for governments and individuals alike to restrain their demands upon the economy....

It is with these considerations in mind that we in the Department of Trade and Commerce have set the 1968 export target at \$12.3 billion. This target calls for an increase in exports greater even than that achieved in 1967. Exports of automotive products are likely to show much smaller growth than the huge increase resulting from the initial beneficial impact of rationalization. The 1968 target, therefore, calls for substantially greater gains in other export categories. Next year's objective presents an exacting challenge. Yet it is a challenge which must be met if the economy is to move forward at a pace commensurate with its potentialities....



## AIR CANADA PROSPERS

The President of Air Canada, Mr. G.R. McGregor, said in his annual review that the airline had recorded another profit in 1967 — the fourteenth in the past 17 years. Air Canada has carried more passengers, more freight, and more mail than ever. This record was achieved, moreover, despite a long delay in delivery of new aircraft at the height of the summer season. If they had been delivered on time, passenger traffic, stimulated by Expo 67 and nation-wide centennial celebrations would have been substantially greater than it was.

The company carried 6,348,000 passengers during 1967, an increase of 22 per cent over the figure recorded in 1966, while air-freight traffic increased 15 per cent to 85,651,000 ton miles. Air express rose 9 per cent to 6,883,000 and air-mail 11 per cent to 21,133,000 ton miles.

A daily DC-8 jetliner service between Montreal, Toronto and Los Angeles was inaugurated on September 29 following a bilateral air agreement between the Canadian and U.S. Governments. The Canadian airline also introduced a non-stop daily service to Miami from Montreal and Toronto and a daily direct DC-9 twin-jet service between Montreal and Chicago.

### NEW AIRCRAFT

Air Canada took delivery of 12 94-passenger Douglas DC-9 twin jets and four 196-passenger DC-8 jetliners in 1967. The DC-9 is used on the short-to-medium length routes in Canada and the U.S., while the DC-8 is employed on the longer transcontinental and international services. The company expects to take delivery of 21 more 94-passenger DC-9s, eight 196-passenger DC-8s and three 136-passenger DC-8s during 1968.

Air Canada has also ordered four 1,450 m.p.h. supersonic *Concorde* jetliners for delivery in 1973 and six 1,800 m.p.h. *Boeing* supersonics for delivery in 1977.

The airline now operates 102 aircraft on 66,214 miles of unduplicated air routes.

Air Canada, in its 30 years of operation, has carried more than 50 million passengers, employs more than 15,000 people and is one of the world's ten largest airlines.

Mr. McGregor said Air Canada expected another successful year in 1968, with more aircraft providing greater carrying capacity and better service. With the expansion of its fleet, the company will provide 22 per cent more seating capacity than in 1967.

## AID FOR PALESTINE REFUGEES

Mr. Gérard Pelletier, the Canadian Representative recently announced that Canada, subject to Parliamentary approval, would contribute \$1,200,000, to the United Nations Relief and Works Agency for Palestine Refugees.

Mr. Pelletier, in a statement made to the meeting of the Ad Hoc Committee of the General Assembly, said that the contribution would consist of \$500,000 cash and \$700,000-worth of wheat flour.

## MAGNETIC DETECTORS TO U.S. NAVY

Canadian Aviation Electronics Limited, of Montreal, has been awarded a contract worth \$760,000 by the Canadian Commercial Corporation for electronic submarine-seeking equipment to be delivered to the United States Navy.

Submarines can be located underwater by aircraft carrying equipment that interprets the change or anomaly in the earth's magnetic field caused by the submarine's presence in a particular area. CAE has already provided components for this type of equipment for the Canadian Armed Forces, and is currently manufacturing identical equipment for the Royal Australian Navy, the Royal Australian Air Force and the Royal Netherlands Navy.

Orders are also on hand for other magnetic-detection equipment developed by CAE, to be used on the U.S. Navy P3C and Royal Air Force *Nimrod* aircraft. Both of these are the latest anti-submarine

warfare aircraft being developed and manufactured by Hawker Siddeley in Britain and Lockheed in the U.S.

Orders totalling more than \$2.5 million have now been received by CAE for magnetic-detection equipment since 1966 and additional major orders are expected from the U.S. Navy and the armed forces of other western nations.

CAE is beginning work immediately on the U.S. Navy order. First deliveries are expected next spring with completion of the order expected one year later.

## SEALING SEASON SHORTENED

The sealing season in the "Front" area on the east coast of Canada will be shortened by 15 days this year, and in the Gulf of St. Lawrence by 11 days, Fisheries Minister H.J. Robichaud announced recently.

On the "Front" (the coast of Labrador and eastern Newfoundland) the taking of harp and hooded seals by both Canada and Norway will, by mutual agreement, begin on March 22, ten days later than in 1967, and will close on April 25, five days earlier than last season. The new dates were agreed on following consultation and an exchange of letters with the Norwegian Government. Norway has, for some years, been the only country besides Canada to take part in sealing at the "Front".

Discussions on seal conservation began at the annual meeting of the International Commission for the Northwest Atlantic Fisheries in Boston, Massachusetts, last June, followed by a meeting of



representatives from interested countries, in Hamburg, Germany in October.

In the Gulf of St. Lawrence, where Canada is the sole participant in sealing, the 1968 season will open on March 18 (compared to March 7 in 1967) and will close, as last season, on April 25.

Shortening of the season for the "Front" is intended to reduce harvesting pressure on the stocks of both young and old seals which, according to scientific evidence, have previously been over-cropped. The delayed opening in the Gulf will bring that season into conformity with the altered seal-hunting season for the "Front".

### CMHC FELLOWSHIP PROGRAMME

Mr. John R. Nicholson, the Minister responsible to Parliament for Central Mortgage and Housing Corporation, has announced that CMHC will grant \$578,000 in support of approximately 130 fellowships next year. "The provision for fellowships to support research and training aimed at improving the urban environment recognizes the challenge of planning and building our future cities," the Minister said.

Ninety new fellowships will be offered for graduate students seeking master's and doctoral degrees in various spheres of urban affairs, including community planning, urban design and housing. The fellowships are primarily for study in Canadian universities, though a limited number will be reserved for Canadians who wish to study in universities outside Canada. The amount of each award will be \$3,000 for those working towards a master's degree, and \$4,000 for those seeking a doctorate. In each case, university tuition fees will be paid and a supplementary sum of \$1,000 will be available for those having at least one dependent child. Arrangements are provided for the renewal of current CMHC fellowships.

### NORTHERN EXPLORATION EASIER

Four significant changes in regulations governing the conditions and eligibility clauses of the Northern Mineral Exploration Programme were announced recently by Northern Development Minister Arthur Laing.

The amendments to the regulations are designed to broaden the applicability of this northern development incentive programme under which up to 40 per cent of the cost of a mineral exploration programme approved by the Federal Government, can be provided by the Department of Indian Affairs and Northern Development in either the Yukon or Northwest Territories.

Changed is the stipulation that, to be eligible for assistance, a public Canadian company must have its common shares listed on a Canadian stock-exchange. Eligibility has been extended to public corporations whose common shares are not listed on a Canadian stock-exchange but are offered for sale to Canadians through Canadian securities dealers.

A requirement deleted from the amended regulations is that mining claims on which exploratory work is undertaken by a successful applicant be surrendered to the Crown if the programme is halted before completion because of unencouraging results.

Also eliminated from the regulations is a requirement making drilling mandatory in an exploration programme before it can qualify for assistance, and the requirement that applicants own outright or undertake by option or exercisable lease to commit themselves to purchase the property on which an assisted exploration programme will be conducted.

### BISON SALE TO PRIVATE FARM

Twenty-five buffalo recently delivered from Elk Island National Park, Alberta, to a farm at Ormstown, Quebec, are flourishing in their new environment. The herd of 22 cows and three bulls was the first sale of bison to a private firm since the National Parks Service took over the management of the dwindling herds in 1908.

The animals, each weighing between 1,200 and 1,800 pounds, were purchased by Clearbrook Game Farms, Quebec, for \$410 each. National Parks officials report that 16 of the 22 cows are now in calf.

Clearbrook's immediate aim is to breed a sizable herd for conservation. This will probably take from between five to eight years.

### SMOKING DEATHS INCREASE

Death rates for lung diseases most closely associated with the inhalation of cigarette smoke continue their alarming increase in Canada, National Health and Welfare Minister Allan J. MacEachen, said recently. Data provided to his Department by the Dominion Bureau of Statistics shows that more than 5,400 deaths were due to lung cancer, chronic bronchitis and emphysema in 1966 — an increase of 400 over the number for the previous year. Lung cancer, now the leading cause of death from cancer in Canada, took the lives of 3,296 men and 548 women. Emphysema, with and without chronic bronchitis, caused the deaths of 1,392 men and 207 women.

The annual number of deaths for each 100,000 persons from lung cancer more than doubled among men and almost doubled among women in the 16 years between 1950 and 1966.

The number of deaths annually for each 100,000 persons from chronic bronchitis and emphysema has increased seven times among men and five times among women in the same period. The rapidity with which bronchitis and emphysema are increasing may be partly due to a growing awareness of these diseases among physicians.

"My Department will continue to do everything possible to encourage non-smoking or less hazardous ways to smoke," Mr. MacEachen said. "I am confident that, with substantial changes in personal smoking habits, and the assistance of the tobacco industry, the trends shown in the above death rates



can be reversed."

There is a time lag between changes in smoking practices and mortality from related diseases, so such changes are not immediately reflected in the statistics. However, the benefits of discontinuing smoking are indicated by the experience of British doctors, large numbers of whom have stopped. Between the periods 1954-57 and 1962-64, lung cancer deaths among doctors decreased 30 per cent, while that of the male population in Britain increased 25 per cent.

### SUCCESS AT PARIS TRADE SHOW

Mr. C.O.R. Rousseau, Minister Counsellor (Commercial) for the Department of Trade and Commerce in Paris, said recently that Canada's first participation in the specialized trade show called BATIMAT (Salon de la Construction et des Industries du Second-Oeuvre) held in Paris, from November 23 to December 3, had been a remarkable success.

Canada is becoming an increasingly important supplier of lumber, plywood and allied building materials to countries of the European Economic Community, and BATIMAT, the premier show of its kind in the Community, provided an ideal medium for the promotion of Canada's growing exports. This show attracts buyers of building supplies from countries other than those forming EEC. Thirty-seven Canadian firms took part in the exhibit sponsored by the Department of Trade and Commerce, which featured displays showing Canadian timber-frame techniques for house-building and a wide variety of allied building products.

The Canadian stand attracted 23,000 visitors from 23 countries — from the EEC and EFTA countries and from Spain, Yugoslavia, Czechoslovakia, Iceland, Egypt, Greece, Lebanon, Iran, Kuwait, Israel, Togo, Chile and Australia.

"Even though it is difficult to establish the exact amount of business negotiated, the firms represented did tremendously well," Mr. Rousseau said. The agent for Building Products of Canada received 132 serious enquiries, sold 6,000 square metres of asphalt shingles and is negotiating a sale for large quantities of floor tiles. Panoramic Hardware Incorporated exhibited a window that generated much interest and negotiations are now under way for it to be manufactured under licence in France, with many components being shipped from Canada.

### EXPO'S ASSETS SETTLED

Trade Minister Robert Winters recently announced that agreement had been reached on the disposal of the assets and the winding-up of Expo 67. The agreement was concluded between the Federal Government, the government of the Province of Quebec and the City of Montreal.

Mr. Winters said that on January 1, Montreal assumed responsibility for Expo's assets on Ile Ste-Helene and Ile Notre-Dame. Assets owned

jointly by the Government of Canada, the Quebec government and Montreal will be transferred through the Canadian Corporation for the 1967 World Exhibition. The only exception is the transit system known as "Expo Express", which is to be sold by public tender.

### DETAILS OF DISPOSAL

The balance will be disposed of as follows:

(1) The Federal Government will receive all the assets on the land known as Harbour City. The land is owned by the National Harbours Board and the lease given to the CCWE will be transferred to the Central Mortgage and Housing Corporation, which will assume all responsibility for the management of the assets so acquired. These assets comprise Habitat, the Stadium, the Administration Building and "Labyrinth".

(2) The government of Quebec has requested occupancy of the Art Gallery and Expo Theatre, under long-term leases. It has also been agreed that the electrical power system located on Harbour City will be eventually sold to Quebec Hydro when CMHC have decided the use to be made of the property acquired by the Federal Government.

(3) All the assets situated on land owned by Montreal, including Ile Notre-Dame and Ile Ste-Helene (including the area known as "La Ronde") are to be transferred to Montreal. The Concordia Bridge, the Bridge of the Isles and other minor bridges are part of these assets.

This transfer is conditional on Montreal's relieving the CCWE of its obligation to restore the site to its original condition under the terms of the lease now held.

### AIR-TRAFFIC COMPUTER

Transport Minister Paul Hellyer has announced the installation of Canada's first electronic computer for use in air-traffic control at Gander International Airport for final operational testing.

The new system will augment the present facilities and methods, which are approaching the limit of their capacity as air traffic continues to increase. Flights over the North Atlantic served by Gander totalled 83,728 in 1966 and it is forecast that, by 1976, the annual total will reach 161,670.

While the present manual system provides for a safe flow of air traffic, the rapid increase in flights is imposing an increasingly heavy workload on the controllers, resulting in a reduction in time available to the controller to resolve complicated traffic situations, which are also increasing. An electronic data processor will be used to perform many of the controller's routine functions, which will allow the controller more time for making decisions.

"The current system, in which air-traffic controllers work without the aid of computers, will continue in use until it is certain that the new system has been properly adjusted to carry out its work without error," Mr. Hellyer said.



