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Bulletin

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HIGHLIGHTS OF THE BUDGET⁽¹⁾

Most economic indicators show improving trends in the Canadian economy. Employment is rising, unemployment appears to be falling, and Canada has moved out of the pause in the growth of production of goods and services.

The latest figures suggest that the high level of exports established early in 1970 is being well sustained. Canada's price performance compares extremely favourably with all other major trading nations of the western world.

The effects of earlier expansionary fiscal and monetary measures are beginning to be felt and their impact will increase. Further stimulus will be added by new measures outlined in this budget involving combined budgetary and non-budgetary expenditures of \$100 million in the rest of fiscal 1970-71 and \$400 million in fiscal 1971-72:

(1) Unemployment insurance benefits will be increased immediately by 10 per cent, pending implementation of the new system of unemployment insurance next July.

(2) Loans totalling \$150 million will be made to the provinces through a fund to finance job-creating capital projects next year.

(3) A further \$23 million will be allocated to federal departments and agencies for capital improvements in areas of highest unemployment.

(4) A further \$20 million will be allocated to development of roads and other local services for the new Montreal International Airport.

(5) The capital budget of Central Mortgage and Housing Corporation will be increased by \$40 million for housing projects.

(6) The industrial incentives program will be expanded to establish a new system of capital incentive grants for an area of southeastern Ontario and southwestern Quebec, including Montreal. Other changes will increase grant ceilings in the Atlantic provinces and establish a system to guarantee loans.

(7) Direct loans and loan insurance under the General Adjustment Assistance Program will be made available to the footwear industry.

(8) The group of measures includes the assistance to shipbuilding announced recently by the Minister of Industry, Trade and Commerce.

(9) Proposals of the White Paper on Income Security have pronounced fiscal and economic implications for next year, including increased payments of \$200 million and a redistribution of income to lowest-income groups and weaker regions.

(10) A capital cost allowance supplement will permit manufacturers and processors to value investments at 115 per cent of actual costs and enjoy higher-than-usual depreciation on capital projects. Business enterprises affected will save an estimated \$25 million in taxes in fiscal 1971-72.

General tax cuts are rejected as an economic stimulant at this time; other proposed measures "will penetrate more surely to the particular points in the economy, where stimulus and relief of economic hardship are more required".

(1) Mr. E.J. Benson, Minister of Finance, presented the Budget to the House of Commons on December 3, 1970.

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To meet cash requirements next year without excessive market borrowing, the Government proposes to maintain existing tax levels by extending for one year the 3-percent surtaxes on personal and corporate incomes. Revenues from the taxes are estimated at \$245 million for calendar 1971.

The forecast for 1970-71 is a budgetary deficit of \$320 million and cash requirements of \$1,570 million apart from foreign exchange.

The forecast for 1971-72 is a budgetary deficit of \$600 million and total cash requirements of \$1,900 million.

COSTS OF NEW PROGRAMS

In several important cases the economic impact of the new programs will precede their impact on the Government's accounts. With the line of credit available provinces can activate plans immediately.

Companies can take decisions knowing they will have assistance under the industrial incentives programs of the Department of Regional Economic Expansion. Housing starts can be made before CMHC has advanced the full costs of projects.

These programs will be reflected in the Government's accounts as follows:

| | 1970-71 (\$ millions) | 1971-72 (\$ millions) |
|--|--------------------------|--------------------------|
| Loans to provinces for capital projects | 40 | 110 |
| Services surrounding Montreal International Airport | 5 | 15 |
| Shipbuilding program | - | 5 |
| Extension of GAAP to footwear industry | - | 1 |
| CMHC capital budget increase | - | 40 |
| Increase in unemployment insurance payments | 31 | 23 |
| Capital projects of departments and agencies | 23 | - |
| OAS pension and guaranteed income supplement increases | - | 200 |
| Youth programs, including summer employment | 1 | 6 |
| | <u>100</u> | <u>400</u> |

ECONOMY STIMULUS FUND

The Federal Government will make available \$150 million in loans to the provinces to finance new, job-creating capital development projects. A committee of the Federal Government will apply two main criteria to qualify projects for the funds: they will be expected to involve construction that pro-

vincial governments would not otherwise undertake in 1971-72; and they will be expected to contribute directly and quickly to additional employment.

It is expected that this line of credit will permit high-priority projects to go ahead this winter.

Distribution of loans among the provinces will be related directly to unemployment levels. Specifically, distribution follows the number of unemployed persons in excess of 4 per cent of the labour force, determined by averaging rates reported and forecast for the last six months of 1970, together with estimated unemployment among treaty Indians on reserves.

The repayment period will be negotiated between lender and borrower, but will generally be 15 years. Loans will carry interest at the Canada Pension Plan rate, which in December is 7.91 per cent. This represents an interest subsidy to the provinces, whose own rates on market borrowings are at least one percentage point higher.

The loans will be a non-budgetary expenditure of the Federal Government in 1971-72 and will appear in the accounts under Department of Finance estimates.

The program is similar to the proposal of the government of Quebec for a cyclical stabilization fund to protect provincial revenues against serious fluctuations. It represents an interim, one-year response to the Quebec plan pending completion of a federal-provincial study on a possible joint stabilization arrangement.

AIRCRAFT TO NEPAL

The Canadian International Development Agency announced recently that the first major development project financed by Canada in Nepal will consist of two aircraft and some technical support.

An agreement signed recently in Katmandu provides Nepal with a 50-year interest-free development loan of \$1,200,000 for the addition of two Canadian DeHavilland *Twin Otters* to the air fleet of the Royal Nepal Airline Corporation. In keeping with recommendations of the recent foreign policy review, Canada will also pay the cost of ferrying the aircraft to the Himalyan kingdom.

The *Twin Otters*, with short take-off and landing capability, will complement a major Asian Development Bank program to upgrade regional transportation links in Nepal. STOL-type aircraft are especially important because eight of the world's ten highest peaks, including Mount Everest, lie within Nepal's borders, while most of the country's ten million people live by agriculture or stock-raising in valleys that are being linked with the capital by air.

Canada's exports in 1970 rose by \$2 billion to reach almost \$17 billion, while the surplus on merchandise trade in 1970 far exceeded that of any previous year.

CANADA SIGNS HIJACKING TREATY

The Secretary of State for External Affairs, Mr. Mitchell Sharp, announced recently that the Canadian Ambassador to the Netherlands, Mr. Alfred J. Pick, had signed, subject to ratification, the Convention for the Suppression of Unlawful Seizure of Aircraft. The Convention was adopted by an International Conference on Air Law held in The Hague, from December 1 to 16.

This diplomatic conference was convened under the auspices of the International Civil Aviation Organization, (ICAO), at the invitation of the Netherlands Government, to consider a draft instrument elaborated by ICAO's Legal Committee. The new anti-hijacking treaty defines the offence of "unlawful seizure" and requires contracting states to establish criminal jurisdiction over hijackings occurring on board their registered and leased aircraft; when an aircraft lands in their territory with a hijacker on board; and where, in certain circumstances, a hijacker escapes or otherwise arrives in their territory. By providing that all hijackers must either be extradited to a state wishing to prosecute or must be submitted to prosecution by the authorities of the state where they are, the Convention goes a long way towards ensuring that no hijacker will go unpunished

because of legal technicalities.

The Canadian delegation to The Hague Conference played an active role in promoting a generally acceptable treaty and was particularly instrumental in securing adoption of the strong provision on prosecution.

With all the articles having been approved by an overwhelming majority of 77 national delegations participating in the Conference, the Canadian Government believes that this Convention is capable of attracting support from all members of the international community.

The Unlawful Seizure Convention was also signed on behalf of a number of other governments that participated in the Conference, and was opened for signature by all other states in London, Moscow, and Washington after December 31, 1970. It will come into force after ten of the states that participated at The Hague Conference have ratified it.

The Canadian Government will now make a close study of the Convention with a view to ascertaining what national legislation will be required. When the required legislation has been enacted and other steps necessary to permit ratification have been taken, it is expected that Canada will become a party.

COMMONWEALTH CHIEF IN OTTAWA

The Commonwealth Secretary-General, Mr. Arnold Smith, visited Ottawa in November, when he met with Prime Minister Pierre Elliott Trudeau, the Secretary of State for External Affairs, Mr. Mitchell Sharp, the Minister of Industry, Trade and Commerce, Mr. Jean-Luc Pepin, the Minister of Justice, Mr. John Turner and the Secretary of State, Mr. Gérard Pelletier. Mr. Smith also held extensive discussions with other senior Government officials, including the President of the Canadian International Development Agency, Mr. Paul Gérin-Lajoie. Discussions covered general Commonwealth issues and programs as well as the forthcoming Commonwealth Heads of Government Conference to be held in Singapore from January 14 to 22, 1971.

HOUSING FELLOWSHIPS

Mr. Robert Andras, Minister responsible for Housing, recently announced Central Mortgage and Housing Corporation's annual program of graduate fellowships for 1971-72. The program will amount to \$925,000 in support of 200 fellowships.

Graduate students seeking masters' and doctoral degrees in various fields of urban affairs, including



Commonwealth Secretary-General Mr. Arnold Smith

community facilities planning, will be offered 125 new fellowships. Of these, 100 are available for study in Canada and 25 for study outside the country. The amount of the awards will be \$3,000 for fellows working towards a master's degree and \$4,000 for those possessing an M.A. and seeking a doctorate. University tuition fees will be paid and a supplementary sum of \$500 will be available for each dependent child. Arrangements include the renewal of 75 current CMHC fellowships.

LASER PROVIDES FAST ANSWERS

A new technique that uses a pulse of laser light to measure the thermal conductivity of materials — important information in the design of reactor-heat transport systems — has been developed at Whiteshell Nuclear Research Establishment.

The technique, using a 1,000-watt, one millisecond pulse from a ruby laser, is the first direct measurement of conductivity to use this principle, and is applicable at temperatures up to 1,600 degrees C. It produces readings in about two minutes, compared to other techniques, which could take as long as one day.

Developed by I.D. Peggs of the WNRE Materials Development Branch, the technique has been two years in changing from an idea, formulated during a conversation at a convention, into a working model.

Although not as accurate in some instances as conventional methods, the technique provides data

sufficiently accurate for studies at WNRE. Moreover, as additional refinements to the equipment and technique are made, accuracy which will at least equal other methods is anticipated.

In the past, thermal conductivity had been obtained by relating thermal diffusivity to density and specific heat as obtained from standard reference tables. Because irradiation changes both material density and specific heat, standard techniques could not be applied to the study of irradiated materials without extensive experimentation to relate these properties to the extent of irradiation.

In effect, the apparatus used at WNRE tries to record dispersion of the total laser heat output, thereby accurately determining the amount of heat passing through the sample under study. The specimen to be examined is mounted inside the tungsten heating elements of an evacuated furnace chamber. Temperatures to which materials would be exposed are duplicated by the heating element and then additional heat energy from the laser is pulsed into the specimen.

It is the transfer of this additional amount of heat energy through the specimen that provides the conductivity data sought. An infra-red photo-conductive cell at the rear of the specimen measures the rise in temperature; a dished mirror set at a known angle directs reflected heat from the specimen to a recording cell. Since the amount of reflected heat is recorded, and this, as a percentage of the total reflected heat, is known, the total absorbed by the specimen can be calculated.

PERU PRAISES PILOTS

In recognition of their services to Peru during the earthquake disaster last June, five Caribou pilots of 424 Squadron, Canadian Forces Base Trenton, Ontario, were decorated by Ambassador Cesar A. de la Fuente L., of Peru at a recent ceremony at the Peruvian Embassy in Ottawa.

Left to right: Lieutenant-Colonel W.J. Butchart, commanding officer of 424 Squadron, Major J.D. Donald, Captain J.J.B. Clermont, Captain Brian Cunniff and Captain J.R. Philip.



MISSION TO COMMONWEALTH CARIBBEAN

The Canadian Government recently took a number of decisions based on a report prepared by Senator Paul Martin on Canadian relations with the Commonwealth Caribbean.

In September and October, Senator Martin undertook a special mission to 13 countries and territories in the area on behalf of the Canadian Government. His report emphasized that relations between Canada and the Commonwealth Caribbean remained fundamentally good and that he had found no evidence in the area of a failure of goodwill toward Canada. Problems had, of course, existed, the Senator admitted, and would undoubtedly continue to exist. Canadian relations with the area cover a complex series of activities, and each country in it has its own marked characteristics and preoccupations. The intent of the current Government decisions is to help the Commonwealth Caribbean countries in their economic problems, to confirm or modify existing Canadian policies towards the area and to improve the machinery for the carrying out of Government policies.

REBATE PERIOD EXTENDED

Among the recommendations approved by the Government was extension for the calendar year 1971 of the current rebate system of paying to Commonwealth Caribbean countries amounts of duty collected on sugar imported from them. This decision will be reviewed at such time as the Government considers the Tariff Board report on sugar, expected in 1971. With the introduction of an International Sugar Agreement in 1969, it had been the opinion of the Canadian Government that sugar rebate payments might be drawn to a termination. In the light of representations from the region, however, about difficulties the sugar industry was facing and the need for a longer adjustment period, the Government decided, during last year, to continue payments for 1970. The current decision extends the period to 1971, during the course of which year Government decisions will need to be taken on the Tariff Board report on sugar. This

further extension represents a positive response by the Canadian Government to requests made to Senator Martin by the Commonwealth Caribbean countries.

DEVELOPMENT FUND

The sugar payments are separate from, and additional to, the proposed \$5-million Agricultural Development Fund, which the Canadian Government has also decided to launch immediately. Earlier misunderstandings about the ADF were cleared up during Senator Martin's mission to the area, and it received a very favourable reception. It has been agreed that the Fund will be substantially "untied", on liberal terms, and replenishable. Details remain to be worked out with eligible recipient countries about criteria for selecting projects and operational structure, but it is the intention of the Canadian Government to move ahead rapidly with its implementation. The Canadian Government proposes to explore the use of regional institutions in the implementation of the Fund, but in the meantime is open to applications for projects from eligible governments.

Other matters considered by the Canadian Government included encouragement of responsible investment through programs currently administered by the Canadian International Development Agency and the Export Development Corporation, maintenance of Canada's non-discriminatory immigration policy, resolution of bilateral trading problems, the desire of the area to export more to Canada, the need to improve administration of Canada's substantial development assistance program for the area, the possibility of closer co-operation in a number of fields, and the means of strengthening co-ordination of policies in Canada.

Senator Martin's report to the Canadian Government is based on his exchanges with the governments in the Commonwealth Caribbean. On December 8 he made a comprehensive statement to the Senate of Canada, which provides further background to current Government decisions.

ORAL CONTRACEPTIVES REPORT

On the basis of evidence made public on December 8, the Minister of National Health and Welfare Mr. John Munro said that the risk of coronary thrombosis from the use of oral contraceptives containing 50 micrograms of estrogen was not of sufficient significance to demand special precautions.

The advisory committee on oral contraceptives formed early in 1970 pointed out, however, in its final report, that women using the pills should be

reminded of the need for continuing medical supervision and remain alert to signs of potential trouble.

The committee found that the "combined" type of oral contraceptive was virtually 100 percent effective in preventing unwanted pregnancy, while the effectiveness of the "sequential" type was slightly lower.

"The report reviews in considerable detail the present state of medical knowledge of the mode of action and the short- and long-term effects of these drugs," Mr. Munro said.

"It contains a number of valuable recommendations about the direction future research in this field should take. It also makes recommendations about providing information on the use of the drugs to the medical profession and to the public, and advice to the Food and Drug Directorate about testing the products before they are marketed."

COMMITTEE FINDINGS

Other major points made by the committee were:

There is no evidence of any incidence of pre-malignant change in the uterine cervix directly attributable to birth-control pills.

No significant increase in the incidence of breast cancer has yet been detected, though for over 25 years concern has been voiced that clinical use of estrogens may induce the disease in women. Concern has naturally heightened since the introduction of oral contraceptives.

The committee concludes that there is no firm evidence to suggest any relation between genital and breast carcinoma and oral contraceptives.

Of the 28 recommendations in the report, three are general, 13 concern pre-marketing testing, post-marketing surveillance, pharmaceutical advertising and information to the professions and the public. Twelve recommendations deal with studies in epidemiologic, haematologic and endocrine fields.

Much of the committee's discussion and study dealt with the real and potential hazards of oral contraceptives. A relation between thromboembolic disorders and the use of oral contraceptives has been established, with evidence suggesting the level of estrogen in combinations as a possible major factor in determining the risk of thromboembolism. The committee recommended further investigation of the relation and stated that, whenever possible, physicians should be advised to prescribe a preparation containing not more than 50 micrograms of ethinyl estradiol or mestranol.

The committee of seven medical specialists from across Canada was convened to advise the Food and Drug Directorate of the federal Health Department on all aspects of the safety and efficacy of all oral contraceptives marketed in Canada.

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