



CANADA

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CONTENTS

Strengthening Canada's Independence	1
Cuban Bank Liquidated.....	3
Gold Coin for Centennial.....	3
Canada-Japan Ministerial Meeting	3

NRC Scholarships	3
Caracas Labour Conference.....	4
Wood Mission to Australia	4
Imports and Exports	4

STRENGTHENING CANADA'S INDEPENDENCE

The following is part of a recent address by Mr. Mitchell Sharp, Minister of Finance, in Toronto:

...Let me begin by stating an obvious but key fact about Canada's independence. We live in a world dominated by the changing relations between the two super-powers. How the two great centres of world power — the United States and the U.S.S.R. — react to each other, and how they each react to the emerging fact of China, sets limits to the scope for independent action of other nations. Even Japan, Britain and the major continental European countries — great powers by our standards — find their freedom of action sharply curtailed by the fact of super power.

If these great nations find that their room for independent action is defined and confined by the existence of two centres of world power, then surely we in Canada must accept that our independence is limited by the fact that both the two super-powers are there, and that they are our next-door neighbours.

A second key fact, which we ignore only at a high cost, is the fact of growing interdependence between nations and regions. The great force making for increased economic interdependence is technological change. The impact of technological change is virtually all in one direction — toward larger units of production, toward lower costs, and toward mass production. Articles that ten to 15 years ago were made for local markets, in small plants, are now made for mass markets, in perhaps only two or three plants on each continent. This is, on the one hand, the inevitable answer of industrial technology to changes in the demands of consumers, and on the other, the creation of new demands by new technology. The fact that the new technology

is much more capital intensive than the old, is of course, of great significance to a country such as Canada which imports a significant share of its capital for industrial expansion.

A third key fact is the fact of French-speaking Canada. How to make a new society in this country, a society in which French Canadians can play their full part, is today Canada's greatest problem. It is also most certainly our greatest opportunity. The new idealism of Quebec can well be the decisive factor in the future of Canada, for without the full and enthusiastic participation in our national life of French-speaking Canadians, independence will not only be more difficult to defend but a good deal less meaningful. I am one of those who think that Canada without Quebec is not only unthinkable, but likely to be very dull as well.

Trying to take account of these key facts, I should like to set out what I think are the main areas in which we can strengthen Canada's economic and financial independence. I suppose you might call this list a sort of "agenda for independence"; perhaps, if you like, it is a kind of economic manifesto.

WAXING ECONOMY

The first thing we have to do, and to keep doing, is to maintain a high and stable level of employment, with rising personal incomes. That means we must maintain a high level of productivity. It means, too, that the full armory of powers, not only of the Federal Government, but also of the provincial governments, must be deployed in the pursuit of policies of growth and of full and highly-productive employment.

This economic policy is a necessary condition or

underpinning for any policy of independence, for many obvious reasons. I shall cite only two. First, I don't think that Canadian independence can be very meaningful or attractive to the unemployed or the under-employed.

Second, unless we can offer our trained and able people the chance to use their talents in Canada, many of them – certainly many of those who speak English – are likely to migrate to the United States. Ready access to the United States and familiarity with the opportunities there distinguishes Canadians from other people outside North America – and presents Canada with some of its special problems. If the disparity in incomes and in opportunities between Canada and the United States were to widen significantly, the attractions of remunerative and interesting employment in the United States would pull away some of our most able people.

NEW CONFIDENCE

Of course, our most able and well educated people don't stay in Canada only because they are well paid. They stay here because they find something special about Canada which they are not prepared to leave behind them. As I see it, it is the task of the rising generation of Canadians to create a new confidence and a new sense of cultural and social identity in Canadians. Unless we achieve some success on this front – and I believe we are beginning to do so – the very real attractions of the vigorous society to the south of us may attract too many of our able people. Then the human resources and skills required to shape and direct a complex industrial economy will simply not be available to us in Canada.

In other words, we can't have financial and economic independence unless Canadians believe in Canada. That is why such matters as the financing of our universities, the encouragement of the arts through such instruments as the National Gallery, and the Canada Council, new buildings for music, theatre and the visual arts, the support and promotion of a vigorous national system of radio and television, are proper subjects of interest for a Minister of Finance.

STRONG FEDERAL SYSTEM

The third item on my agenda is the need to strengthen the Federal Government in the exercise of its constitutional responsibilities – responsibilities which cannot be devolved on other levels of government, and to strengthen the provincial governments so that they may carry out those tasks which only they can perform. This, as a proposition, is easy enough to state. But its working out involves all the complexities of our laws and government activities. It requires the exercise of great ingenuity and skilled judgment, at both the provincial government level and the federal level.

A federation like ours is, by definition, a country difficult to govern from one centre. Otherwise it would have adopted or would adopt a unitary form of government. Yet it is imperative that if all Canadian governments are going to carry out the assignments given to them by their voters, all will have to

work, and work continually, at evolving solutions to the problems of sharing responsibility – and power – and money – as between the various levels of governments.

MORE CANADIAN CAPITAL

The next item on my agenda for independence has been brought into sharper focus by the experience of the last few years. One of the greatest threats to Canada's freedom of action and freedom of manoeuvre in the economic and financial spheres is our dependence on massive imports of foreign capital. Because we depend so largely on this inflow of capital from abroad, our economic development – and thus our personal incomes and our jobs – are vulnerable to any interruption in the supply of capital or to serious disturbance in the capital markets, most importantly, in the capital markets of the United States. I believe that, for our own protection, we must endeavour to shape our policies so as to generate more of our capital requirements at home.

Looking beyond our own immediate concerns, Canada has a moral responsibility to the peoples of the developing countries to reduce our dependence on imported capital. We in Canada cannot go on indefinitely being such an important consumer of scarce capital from abroad.

Thus, our obligation to the rest of the world, as well as a prudent concern to protect ourselves against interruptions in the supply of capital, require that we give top priority to generating more savings domestically, and to channelling them into investment here in Canada in productive enterprises....

ECONOMIC ENTERPRISES

The next item on my agenda is closely related. I believe that if we are to be reasonably independent, in any practical way, we must, as a nation, know more about the working of those large economic enterprises which dominate so many sectors of our economy, but which are controlled by foreigners. The inescapable fact is that no other country has such a large proportion of its production in the hands of corporations that take direction from parent firms in other countries....

Part, though only a part, of this unease arises from the fact that so many large non-resident controlled corporations in Canada are technically private companies enjoying the rights of privacy about their affairs. Therefore, only the Dominion Statistician and the tax-gatherer, with confidential figures from them, know anything about the dimensions and directions of their financial operations. The Government has now put before these companies a set of guide-lines for good corporate citizenship, and we will be asking that they provide us with certain financial and commercial information on a regular basis. I am pleased to see that this programme has been generally welcomed by the business community. However, given that so many of these firms are private companies, though certain Government officials will know, the public still will not know as much as it should about how these guide-lines are followed.

We will have to rely a great deal on the good

TERRITORIAL BANK OF CUBA TO BE LIQUIDATED

The Department of External Affairs recently released the text of an announcement by the Ministry of Foreign Affairs of Cuba, giving notice of the liquidation of the Territorial Bank of Cuba. The following is a translation:

The Commission designated by the President of the National Bank of Cuba to liquidate, pursuant to Special Provision No. 6 of Law No. 930 of February 23, 1961, all private banks of any kind which, because they were in technical state of bankruptcy or insolvency, were subject on October 31, 1960, to intervention or other precautionary measures adopted by the National Bank of Cuba or the Deposit Insurance Fund, which banks include Banco Territorial de Cuba, S.A., whose administration, for the purpose of its final liquidation, has been entrusted to this Commission, hereby issued the following notice:

On the date of issuance of this notice, the activities of the said bank are to be suspended, and its creditors of all kinds must submit their claims within 90 calendar days of March 15, 1966, after which any legal action shall be considered to have lapsed, and all rights the claimants may have shall be regarded as waived.

Holders of obligations, mortgage bonds, and coupons that have matured must deposit with the provincial offices of the National Bank of Cuba in the district in which they are domiciled, within 90 calendar days of March 15, 1966, whatever securities they hold for consideration by the Liquidating Commission. The provincial offices shall supply the official form for submitting such securities. Payment of interest on each and every obligation and bond issued by Banco Territorial de Cuba, S.A., shall be suspended as of December 31, 1965, as a result of its liquidation.

The Liquidating Commission has its office at Central Office of the National Bank of Cuba, located at 402 Cuba Street, Havana.

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GOLD COIN FOR CENTENNIAL

The first gold coin to be issued by the Royal Canadian Mint in more than half a century will be distributed in 1967 in a special set of Canadian coins to commemorate the centennial year.

Mr. Mitchell Sharp, Minister of Finance, announced recently that orders would be received by the Mint up to September 1967 for the special presentation sets, which would be delivered early in January 1967.

The \$20-gold coin, about the size of the present 25-cent piece, will be sold only as part of the complete set of coins, which will include one of each of the six newly-designed coins to be issued for circulation in the centennial year. The seven coins will be packaged in a leather presentation case approximately five inches square and bearing the

Canadian coat-of-arms on the cover. The price of the set will be \$40. One side of the \$20-gold coin will show a portrait of the Queen, and the reverse side a design of the traditional coat-of-arms. It will be the first gold coin issued by Canada since 1914, when gold coins of \$5 and \$10 were minted. The other six coins in the set, in denominations from one cent to a dollar, will carry, on their reverse sides, the new wildlife series designed by Alex Colville of Sackville, New Brunswick.

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CANADA-JAPAN MINISTERIAL MEETING

The Secretary of State for External Affairs, Mr. Paul Martin, announced recently that the fourth meeting of the Canada-Japan Ministerial Committee would be held in Ottawa on October 5 and 6. The agenda and other details of the meeting will be worked out jointly by the Governments of Canada and Japan.

The Canada-Japan Ministerial Committee was established during the visit to Ottawa of the Prime Minister of Japan in June 1961, when it was agreed by the Canadian and Japanese Prime Ministers that, in view of the increasing importance of Canadian-Japanese relations, ministers of the two Governments should meet from time to time to exchange views on matters of common interest, particularly in the economic sphere, and to familiarize themselves with the problems of both countries. The Ministerial Committee is not intended to be a negotiating board.

Three meetings of the Committee have been held: in Tokyo in January 1963, in Ottawa in September 1963 and again in Tokyo in September 1964.

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NRC SCHOLARSHIPS

The National Research Council has granted 1,705 scholarships for 1966-67, with a total value of \$4,564,000. The number of scholarships granted represents an increase of 38.5 per cent over that for 1965-66, while their value is up by 42.6 per cent.

Of the total, 1,431 scholarships are for graduate work at Canadian universities; they include 505 bursaries worth \$2,500 each and 926 studentships worth \$3,000 each.

STUDY ABROAD

Awards for study outside Canada include 179 special scholarships worth \$3,000 each (\$3,000 in U.S. funds if tenable in the United States). The awards are for Ph.D. studies in the U.S., Britain, France, Australia, Belgium, Germany and Israel.

Ninety-five postdoctorate overseas fellowships, valued at \$5,500 for married and \$4,500 for single fellows, have been granted for work in 12 countries.

The Council has also awarded 24 NATO science scholarships and fellowships for 1966-67, with a total value of \$120,000. These awards, for study

abroad in various spheres of pure and applied science, are designed to stimulate the exchange of post-graduate students between member countries of NATO. They represent Canada's part in NATO's Science Fellowship Programme.

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CARACAS LABOUR CONFERENCE

Mr. Paul Martin, Secretary of State for External Affairs, announced recently that Canada had sent observers to the second Inter-American Conference of Ministers of Labour, recently held near Caracas, Venezuela. Other commitments made it impossible for the Minister of Labour, Mr. J.R. Nicholson, to attend the conference but, in his absence, the Canadian observer group was led by Mr. George V. Haythorne, Deputy Minister of Labour. He was accompanied by Mr. John Mainwaring, Director of the International Labour Affairs Branch of the Department of Labour, and by Mr. Jean-Yves Grenon, First Secretary at the Canadian Embassy in Caracas.

The conference reviewed the progress made in the participation of departments of labour and workers in national plans for economic and social development in the countries of Latin America since the first such conference, held in Colombia in 1963. The conference also studied prospects in the labour sphere in the hemisphere.

Mr. Haythorne discussed with the Latin American ministers and officials plans for the Eighth American Regional Conference of the International Labour Organization, which will be held in Ottawa from September 12-23.

The invitation to Canada to attend the Caracas Conference was extended by the Secretary-General of the Organization of American States, in accordance with a resolution of the OAS Council adopted on April 6, inviting, with the concurrence of the Government of Venezuela, several countries which are not members of the OAS, including Canada, to participate in the conference as observers.

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WOOD MISSION TO AUSTRALIA

Seven housing authorities from Australia arrived in Canada recently for a 14-day study of Canadian timber-frame methods of construction. The trade mission is sponsored by the Department of Trade and Commerce as part of a programme developed in co-operation with industry to promote sales of Canadian lumber in Australia.

The Australian visitors are being shown the advantages of Canadian building systems and being encouraged to use more lumber in their buildings.

Canada's present lumber exports to Australia are valued at almost \$10 million annually. Australia's domestic lumber supply is primarily of the hardwood variety, not suited to extensive use in the construction of houses.

ITINERARY

During their two-week visit, the mission members will see housing projects in Vancouver and Calgary. They will also tour Gold River, a new Vancouver Island town where rapid housing development, required to support new pulp mill operations, was accomplished by using traditional Canadian timber-frame construction techniques.

The mission will visit Canadian logging operations, lumber mills, plywood manufacturing, laminating and industrialized construction of houses for fast on-site assembly. The group will also tour the School of Architecture at the University of British Columbia and have talks with officials of the British Columbia Lumber Manufacturers Association, Central Mortgage and Housing Corporation and Plywood Manufacturers Association of British Columbia. Their programme will include seminars and discussions with private builders and exporters.

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IMPORTS AND EXPORTS

Canadian commodity imports in February are estimated at \$660,900,000, an increase of 20 per cent over the \$551 million recorded in February 1965. Exports for the month totalled \$694,700,000, 25 percent above the \$557,300,000 occurring a year earlier. The export balance of \$33,800,000 was considerably higher than the \$6,300,000 achieved in February 1965. These comparisons are similar to those shown by January statistics. In the first two months together, imports gained 23 per cent to \$1,364,800,000, exports 26 per cent to \$1,438,300,000 and the export balance on commodity trade rose from \$33,600,000 in 1965 to \$73,500,000 in 1966.

Both export and import totals for February appear to have been affected by the truckers' strike in Ontario. Preliminary indications are that import totals would have been higher by some \$40 million if the strike had not occurred. It is not possible to estimate the amount by which export values are affected, but this is also believed to have been substantial, though somewhat less than in the case of imports.

UNITED STATES

Imports from the United States, the source most affected by the truckers' strike, increased by only 16 per cent in February, to a total of \$473 million compared to \$407,700,000 a year ago. Exports to that market increased by 26 per cent in the month, reaching \$424,700,000, and the import balance on commodity trade with the United States was reduced to \$48,200,000 compared to \$71,100,000 in February 1965. In the first two months of the year imports from the United States totalled \$997,700,000, 22 per cent higher than the figure for the year before, and exports reached \$841,700,000, 25 percent higher than in the first two months of 1965. In spite of the sharper increase in exports, the import balance of \$156,100,000 was slightly above the \$146,300,000 recorded for the first two months of last year.

(Continued on P. 5)

BRITAIN
Purchases from Britain in February totalled \$58,800,000, substantially higher than the \$40,600,000 recorded in February 1965. About two-thirds of this increase was because of non-recurrent deliveries of defence equipment. Exports to Britain at \$90,400,000 were moderately higher than the \$80,100,000 recorded in February 1965. The export balance for the month declined to \$31,500,000 from \$39,500,000 a year ago. For the first two months, imports from Britain totalled \$103,400,000 and exports \$191,300,000. The export balance at \$88 million was only slightly less than the figure for a year earlier.

COMMONWEALTH COUNTRIES

Commodity purchases from other Commonwealth and preferential-rate countries totalled \$22,500,000 in February, an increase of 35 per cent over the figure for February 1965. Exports at \$33 million were up by 5 per cent. For the two months together, imports increased 23 per cent to \$45,800,000 and exports 5 per cent to \$70,800,000. The export balance on commodity trade with these countries was moderately lower in both February and in the first two months.

OTHER COUNTRIES

Trade with all other countries taken together also rose substantially both in February and the first two months. Imports in February gained 24 per cent to \$106,700,000, from \$86,100,000 in 1965. February exports rose 34 per cent to \$146,700,000 from \$109,300,000. Total imports for the first two months reached \$217,900,000, a gain of 25 per cent over the \$174,900,000 recorded in 1965, while exports increased 43 per cent to \$334,600,000 from \$233,200,000. The increase in the export balance with these countries was primarily responsible for the total increase in the export balance in both the month and the first two months.

STRENGTHENING CANADA'S INDEPENDENCE

(Continued from P. 2)

faith of these firms, until all important economic enterprises in Canada, whether they are private or public companies, provide to the community at large, a proper disclosure of their financial structure and operating results....

CANADIAN-OWNED ENTERPRISES

There is, of course, not only the question of the proper conduct in Canada of subsidiaries of foreign-owned companies. I am even more interested in the retention and the establishment in Canada of Canadian-owned and controlled corporations, corporations which can compete at home and in world markets and which occasionally branch out into foreign markets through their own subsidiaries. If, as I have already pointed out, modern technology makes for bigness and mass markets, Canadians must strive to have their share of head offices. It is desirable too, that

companies who have their major production facilities in Canada should have their head offices in Canada. Unless these views are accepted in the Canadian business community, we shall have to accept the limitations that go with a branch office economy, however much guide-lines or laws may help to "Canadianize" the operations of foreign subsidiaries in this country.

Our tax laws can be used for this purpose. By this I do not mean that foreign-owned enterprises should be taxed more heavily than Canadian-owned enterprises; the purpose is not to penalize or discourage enterprise because it originates outside Canada. For a country like Canada with such a vast stake in non-discriminatory access to capital and to world markets this would be shortsighted. On the other hand, I do not think that it is discriminatory to encourage Canadians to invest in Canadian enterprises and in the forthcoming extensive review of our tax laws, we will be examining whether more can reasonably be done in this direction.

CANADA DEVELOPMENT CORPORATION

The Canada Development Corporation, which is on the Parliamentary agenda, offers a vehicle for action in this area. I intend to bring the legislation to establish it before the House as soon as the Parliamentary timetable permits. In the meantime, we are looking closely at the form that this corporation should take. The Canada Development Corporation is primarily intended as a means of mobilizing savings for investment in Canadian enterprise and development. If it is to be fully effective it should be more than just an investment fund which buys outstanding securities. It should be an active agent in the promotion of Canadian development and industrialization under Canadian control and management.

Like my predecessor in office, Mr. Gordon, I visualize the CDC as an independent body acting in the interests of its shareholders, its success being chiefly dependent upon the skill of its management. But I for one do not think that this conception is incompatible in any way with its role as an instrument for the promotion of Canadian economic independence.

The Canada Development Corporation is an attempt to mobilize a large block of Canadian savings for a definite purpose, that is, to enlarge and strengthen the Canadian control of Canadian enterprise. It is not, of course, the only means to this end. I was interested in a proposal put forward recently for a consortium of Canadian pension funds to provide a large purchaser of important blocks of the stock of Canadian companies and a useful continuing stockholder role in corporation management. It is not for me, as Minister of Finance, to pass judgment on this proposal, but it does point to the opportunity which exists for more effective mobilization and utilization of the savings now being generated in this country.

It is important too, that we realize that there are certain key areas of our economy which must be controlled by Canadians. The first, and most obvious example, is that we must ensure that our major

financial institutions, like our banks, insurance and trust companies, which play a vital role in mobilizing greater resources of Canadian capital, remain predominantly under Canadian control. Any Government that allowed these institutions to drift out of Canadian control could be allowing Canadian independence to be weakened appreciably. To this I could add our railways, our airlines and our major media of communications, radio, television and newspapers.

INDUSTRIAL DEVELOPMENT POLICY

As a final, but by no means the least, important item on my economic and financial "agenda for independence", I would put industrial development policy. And by industrial development policy I do not mean enticing potential investors into manufacturing in Canada every device required by Canadians. As a trading nation, we have had to learn that there are products which are better made by other countries.

Since the end of the Second World War we have retreated from the nationalism which bedevilled all the industrialized nations in the 1930s. This is the kind of economic nationalism we must try to avoid in the future. Trade and payments have been liberalized, and excessive protection has been cut away. If we are to be true nationalists today we must think in terms of a different kind of economic nationalism, which seeks to strengthen Canada in the context of growing interdependence between the nations and our obvious interest in the expansion and liberalization of world trade. It is not inconsistent to be at once a nationalist and an internationalist.

What we have to do now in Canada is to develop a more selective policy of strengthening and developing those areas of production in which Canada has some real working advantage. This may mean abandoning some present production which is profitable in Canada only with the prop of exorbitant protection while enabling our better industries to grow. But there are no easy answers in this area of policy.

This Government has already demonstrated in one important area - in the Automotive Products Agreement with the United States - that, in co-operation with our trading partners, we can find ways of strengthening Canada efficiently and economically. You all know how many new plants are being built as a direct result of this agreement.

AUTOMOTIVE INDUSTRY GROWTH

I should add in passing that this automotive agreement is a prime example of finding fruitful opportunities for development in the growing interdependence between nations of which I have been speaking. The great expansion that is now going on in the Canadian automotive industry arises directly out of an agreement between the Governments of Canada and the United States that promotes the integration of the North American automotive industry.

I am confident that there are other possibilities for restructuring of Canadian industry which could have a similarly beneficial effect upon efficiency and the trade balance. We are now examining these possibilities and they form part of my agenda for economic independence.

In particular, we will want to ensure that those industries that exploit Canada's natural resources for export markets process their products to the furthest extent possible in Canada, on an efficient and profitable basis. Canadians should find it unacceptable if the directors of such industries choose to export our resource products in their cruder forms for processing abroad, when there is no longer economic justification for such a policy.

There are some who contend that we should go so far as to contemplate a free trade or customs union with the United States. I am not one of them because I do not see how Canada could retain any meaningful degree of economic independence as junior partner in an exclusive arrangement on such broad lines with our great and friendly neighbour. That is why I prefer the non-discriminatory approach to trade that underlies the General Agreement on Tariffs and Trade....

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STRENGTHENING CANADA'S INDEPENDENCE
(Continued from p. 2)

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