



CANADA

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CANADA'S ECONOMY IN 1967

The following is part of an address by the Minister of Finance, Mr. Mitchell Sharp, to the annual convention of the Truck Loggers' Association of British Columbia in Vancouver on January 20:

...With five clear years of economic expansion under our belts by the time of my first and main budget, in March of last year, the signs of overheating in the economy were quite obvious. There had been local hotspots during 1965, of course, and your own boom in investment in pulp and paper capacity here in British Columbia had been one of them. Construction had been another very over-extended sector, especially in the Montreal area.

But 1966 saw the emergence of a new situation. A significant increase in food prices took place, largely resulting from supply problems outside our immediate control. There also emerged more general, more insidious, and in the longer run more dangerous demand pressures throughout the economy, acting through both wages and prices. Part of the pressure came from the large business investment programme; part came from the welcome increase in exports; part came from the expansion of social and other services demanded of governments at all levels; and part from an upsurge in consumer demand for goods and services. There were no culprits; we all, from perfectly understandable motives, were together simply trying to take out of the economy more than it could physically provide. By the beginning of 1966 there were virtually no idle resources to be drawn into production. Almost all the resources that had lain in wasteful idleness in the stagnant years of the late Fifties had been called into play. The impetus of our progress — welcome as that progress

was — had carried us even beyond the limits of our physical capacity.

Against this background, my budget in March was designed to persuade business to defer some of its investment plans for a while, by means of the refundable tax reduced capital-cost allowances and a delayed reduction in the sales tax on machinery and equipment. To counter the growing pressure on the consumption side, personal income taxes were restored to about their former level.

RESTRAINTS ON INFLATION

Practising what we preached, we took action to restrain Government expenditure. Many new programmes and projects were deferred. Our total construction programme was cut by ten per cent. Needless to say, we did nothing to restrain exports. It would have been ridiculous, as I'm sure you will agree, to think of exercising any restraint on our export trade, even if that would have helped to reduce inflationary pressures. In any event, we needed those exports to pay our rapidly-mounting bill for imports.

That was the situation in March of last year at the time of my first budget. By September, the Government felt it desirable to take further action to restrain potential inflationary pressures and to call for co-operation from management and labour in price and wage policy.

Commitments had been made during the summer for additional federal expenditures that Parliament wanted, principally those relating to old-age pensioners. It was quite apparent that the Federal Government could not throw fuel on the fires of

inflation by trying to finance these additional expenditures by means of an enlarged budgetary deficit. The only question was whether, in addition to raising additional revenues to meet these expenditures, the Government might not still need to take further action to restrain demand in the economy as a whole. In accordance with the policy established in March, we deferred a number of otherwise highly desirable programmes, including medicare and student scholarships, which would have thrown heavy additional burdens upon an already overloaded economy.

When we finally did come face-to-face with the necessity of financing the Guaranteed Incomes Supplement to old-age pensions when the legislation was approved last month, it was apparent that some of the excess steam had indeed been taken out of the economy by our policies and by other developments, and that a healthier balance between demand and supply had been established. Thus I was in the position – and very glad to be in that position – of having to ask the House of Commons in my mini-budget to do no more than meet the \$280-million bill arising out of the Guaranteed Incomes Supplement. It was designed to be a neutral budget from an economic point of view. This I thought was the right approach before Christmas. I see no reason to change my view now.

As I see it, 1967 should be a good year. There will probably be a continuation of some price increases, but there is a good prospect that the general level of prices will not rise as rapidly in 1967 as in 1966. The rate of growth in demand is likely to be more nearly in line with the growth in capacity. This is what is needed, even if the rate of increase in output is somewhat less than in 1966.

ECONOMIC STIMULATION NEEDED

It would not be inconsistent with this view if, as 1967 develops, we decide that stimulation is needed in some parts of the economy. I am thinking especially of housing, so important to the lumber industry, where a reduction in activity and some spare capacity has been the result of excessive demands for capital in other sectors of the economy. A continued low level of housing activity is not desirable. Already the Government has taken specific action to revive housing activity by way of increases in the maximum lending rate on NHA mortgages, to induce investors to place more funds in this area, and the interest-rate formula has been made more flexible, which should enable lenders to make plans for future funding. The Government has also, in its proposed revision to the Bank Act, made it possible for chartered banks to enlarge their lending in the housing fields. As a result of legislation approved before Christmas, Government funds are available for the sale and refurbishing of used houses, and to increase in other ways the availability of funds for housing. All of these moves should help ease the housing situation.

If there were any sign that economic weakness had become general and that specific actions of the type I have been talking about were unlikely to be adequate, then more general stimulating measures

would be in order. In such circumstances I believe, as I said in my budget speech five weeks ago, that the appropriate mix of policies would be one which permitted an easing of the credit situation. Of course, our balance-of-payments situation is such that we require substantial imports of capital. Our interest rates in Canada must be somewhat higher than those in capital exporting countries if this capital inflow is to materialize. Fortunately, there are signs that other countries are beginning to wind down a little from the extremely high pitch of interest rates which characterized most financial markets in 1966. As you know, in recent weeks there has been some reduction in money rates in Canada – a most welcome development.

It should hardly be necessary for me to add that, if signs of excess demand were to re-appear, I should not hesitate to bring in extra measures of restraint....

SIX-YEAR EXPANSION

Canada has now been expanding steadily for six years – the longest period of continuous expansion that this country has ever experienced. The pessimists assume, as a matter of course, that, sometime, expansion will be replaced by contraction – the old boom-and-bust mentality. I do not say that this cannot happen, because we are subject to influences from abroad over which we have no control. What I do believe is that if Canada and her principal trading partners follow sensible policies – restraining inflationary pressures when that is appropriate and standing ready to give stimulus when slack begins to appear – avoiding extremes – it need not happen.

What should give all of us courage and confidence is that, during the last six years of continuous expansion, the gross national product, Canada's total output has grown by about 40 per cent in real terms, in terms of goods and services. And yet there is so much more to be done to raise the standards of living of the Canadian people, to provide them with the opportunities for a more satisfying life, to remove those pockets of poverty in our cities and in our countryside that should make us blush with shame, and to enable us to help those two-thirds of the world's population in the developing countries that still live in abject poverty....

It is important to ensure that every region and cultural group in Canada gets a fair break. I can tell you, as a Federal Cabinet Minister deeply involved in federal-provincial relations, that this is a source of constant concern in Ottawa. If your interests, as British Columbians, are not adequately taken into account when great national policies are being developed or when important regional projects are being planned, you will surely develop a sense of grievance which could undermine your feeling for Canada. The same holds true in every province and every region of Canada.

FAIR BALANCE DESIRABLE

But it is also possible to transform this healthy self-interest into a kind of pathological provincialism. We all know the symptoms. In its most

STUDY OF FOREIGN OWNERSHIP

The following is a recent statement by the Prime Minister:

The Government has for some time been examining the question of foreign investment in our country; the extent of foreign ownership and control of Canadian industry; the operations in Canada and the importance to Canada of subsidiaries of foreign companies.

Last March, the Minister of Trade and Commerce announced a number of guiding principles of good corporate behaviour in Canada, which were communicated to all foreign-owned subsidiary companies operating in Canada.

The response to these guide-lines has provided valuable information and insight into the role and conduct of foreign-owned subsidiary companies in Canada.

MINISTERIAL COMMITTEE

As a further measure, a committee of ministers has now been set up to examine the structure of Canadian industry, with special reference to foreign ownership and control.

The initial studies on this subject for the committee will be conducted by a task force to be established for this purpose. An interdepartmental committee of senior officials will consult with the task force from time to time.

The study will include the significance - both political and economic - of foreign investment in the development of our country, as well as ways to encourage greater Canadian ownership of our industrial resources while retaining a climate favourable to the inflow of foreign investment, as required, for Canada's optimum development.

After the report of the task force has been studied by the ministerial committee, it will be referred to the Government for approval. Consideration will then be given to its submission as a White Paper for examination by an appropriate Parliamentary committee.

The committee of ministers will be: the Honourable Walter Gordon, chairman; the Honourable Mitchell Sharp; the Honourable Roger Teillet; the Honourable Jean Marchand and the Honourable John Turner.

CANADA SIGNS SPACE TREATY

The treaty on Principles Governing the Activities of States in the Exploration and Use of Outer Space, including the Moon and Other Celestial Bodies, was open for signature in Washington, London and Moscow on January 27. Following the procedure adopted in August 1963, in signing the Limited Nuclear Test Ban Treaty, Canadian diplomatic representatives signed the outer space treaty in all three capitals.

As an active member of the 28-state Committee on Outer Space and of its legal sub-committee, Canada was directly involved in the negotiation of

this major treaty and one of its co-sponsors in the General Assembly. Of particular significance are the provisions prohibiting national appropriations of celestial bodies, bases or fortification in space, and testing of any type of weapons on celestial bodies, and the placing in orbit of nuclear bombs. The treaty emphasizes freedom of scientific investigation in outer space, and declares that states must cooperate in avoiding contamination of outer space and report on conditions that could harm the health and safety of astronauts.

NEW TRADE OFFICE IN U.S.

Canada's sixty-seventh trade office abroad was opened in San Francisco recently by Trade and Commerce Minister Robert H. Winters. It is the latest extension of the services provided by the Department of Trade and Commerce to help Canada achieve its 1967 export goal of \$11.25 billion.

The opening of the office, the tenth operated by the Department in the United States, coincided with "Canada Salutes San Francisco Week", from January 23 to 30.

Two Royal Canadian Navy vessels were displayed at their berths in San Francisco, and Macy's department store presented an in-store promotion called "Expo-Canada '67". United States-Canada goodwill was demonstrated throughout the week by receptions, dinners, meetings and panel discussions.

The San Francisco trade office will promote Canadian export interests in northern California, Nevada (except Clark County), Colorado, Utah, Wyoming and Hawaii. In particular, it will improve the Department's facilities for aiding Canadian exporters interested in the buying potential of the San Francisco-Oakland area, the sixth largest metropolitan district in the U.S. With a combined population of 4.4 million and a growth rate of 150,000 each year, the nine counties bordering San Francisco Bay make up an important market, with the second highest wholesale and fourth highest retail sales *per capita* in the United States.

The office will be changing its location about the middle of the year when it moves into new quarters large enough also to accommodate the Canadian Consulate General in San Francisco.

TRANSPORT AID TO TANZANIA

The Secretary of State for External Affairs, Mr. Paul Martin, announced recently that, under Canada's external aid programme, engineers would be sent to assist in the development of highways in Tanzania.

The Tanzania five-year development plan provides for the improvement of communications between the potentially-rich agricultural area of Mwanza on Lake Victoria, and the central market of

Arusha, with its links with the coastal region and export trade. It is hoped that a new road will stimulate agricultural, tourist and commercial development in the Lake Victoria area between Mwanza and the Uganda border.

Tanzania has the choice of two routes — a new road between Makuyuni and Bariadi and the improvement of the existing Babati-Singida-Sekene road. An aid grant of \$150,000 will be spent hiring Canadian consultants to conduct economic and engineering feasibility studies of the two routes.

The studies form part of a multi-million dollar examination of highway needs now being conducted by Tanzania with the assistance of a number of countries.

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BELGIAN ROYAL VISIT

Government House in Ottawa announced recently that His Royal Highness Prince Albert of Liège had accepted an invitation from Governor-General Vanier, to visit Canada during Canada's centennial year as the representative of King Beaudoin. Prince Albert and Princess Paola will attend Belgium's national day at Expo '67 on May 9, where they will be officially welcomed by the Commissioner General, Pierre Dupuy, at a flag-raising ceremony on Place des Nations.

Belgium will stage a show starring "Gilles de la Louvière", one of Europe's most authentic folkloric groups consisting of a 12-man orchestra and 20 "Gilles" dancers, singers and jugglers.

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STOPPING THE "BRAIN DRAIN"

The Department of Manpower and Immigration has become a centre of "anti-brain-drain" operations, sponsoring recruiting tours and supplying information to Canadian students abroad about job opportunities at home and to Canadian employers about prospective job recruits among Canadians studying at foreign universities.

Every year, Canada loses to the United States and Britain a substantial number of its university graduates. It has been estimated that close to 12,000 Canadians are studying abroad and are actively being courted by American and British employers.

In December of last year, the Department of Manpower and Immigration began its own "Operation Retrieval" with the distribution to students abroad of a publication describing career opportunities in Canada. The students were offered the assistance of the Department in bringing their qualifications to the attention of interested firms.

AUCC RECOMMENDATIONS

Working in co-operation with the Government agencies, the Association of Universities and Colleges in Canada has in the past sponsored a series of tours of British and American universities. A report

prepared for last autumn recommended that teams visiting U.S. and British universities include representatives from universities, government and industry; that efforts be made to keep Canadian students abroad up-to-date on what is happening at home; that the Department of Manpower and Immigration be responsible for persuading students to return from abroad; and that the Department provide for these students a more effective placement service than they have had in the past.

It has been agreed that, while "Operation Retrieval" should eventually become the responsibility of the Manpower Department, the AUCC will for this year, continue to organize the tours. Four teams will visit the United States from February 6 to 23 and Britain from February 18 to 28, providing information on job opportunities in Canada.

INFORMATION SERVICE

Information on industrial demand for university graduates will be provided by the Association of Universities and Colleges in Canada, the University Career Planning Association and the Department of Manpower and Immigration. The information will be based on field reports and on recently-completed surveys of professional and technical manpower requirements.

In announcing the new and more vigorous programme, the Department urged all Canadians, and particularly industrial organizations, to treat the subject of retrieval of Canadian university students abroad with as much vigour and determination as is displayed by American and British recruiters competing for Canadian graduating students.

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EXPO '67 COMMEMORATIVE STAMP

Postmaster General Jean-Pierre Côté announced recently that a Canada Post Office five-cent commemorative stamp to salute Expo '67, featuring a view of the Canadian Government's 11.25-acre \$21-million pavilion on the site of Expo '67 in Montreal, would be released to coincide with the opening date of the World's Fair on April 28.

The large stamp will be red and blue on white and its format will be horizontal. It will be available at all post offices in Canada for ten days from April 28 and in Montreal until mid-October.

Engraved from a design developed by the Canadian Bank Note Co. Ltd., Ottawa, it has at the upper left a reproduction of the symbol of the 1967 World Exhibition, designed by Julien Hébert, a Montreal industrial artist. Inspired by one of the oldest human symbols it consists of eight groups of two drawings forming a circle to emphasize the world-wide brotherhood and friendship of man. The word "Canada" appears at the upper right above the pavilion's predominant feature — an inverted pyramid named "Katimavik" (an Eskimo word meaning "a meeting place"). The rest of the design consists of the words "Postes — Postage", "Expo 67" and the denomination.

No production limit has been established, as the new issue will be on sale for some time.

A significant feature is that "first-day covers" will be processed by the Canada Post Office from the Expo '67 site, with an appropriate die to indicate the source. First-day covers will not be provided with the customary Ottawa postmark.

COPPER PRICE UP

The International Nickel Company of Canada, Limited, has announced that effective January 26, Canadian domestic price for copper, 2-1/4 cents a pound, has been raised from 45 cents to 47-1/4 cents (Canadian). International Nickel sells its copper in Canadian and European markets. International Nickel's European price is the three months' "Futures" asked price for wirebars quoted on the London Metal Exchange.

OPERATION EXPORT '67

Mr. Robert H. Winters, the Minister of Trade and Commerce, recently announced details of a programme to be called "Operation Export 1967", which will bring back to Canada from their posts round the world more than 60 senior Canadian Government trade commissioners. Travelling as a group, they will visit eight major business centres in seven weeks. At each stop, the trade commissioners will hold private and personal interviews with Canadian businessmen interested in exporting goods to the countries in which the officials are stationed.

Trade Department officials estimate that some 15,000 interviews will be completed during the course of the tour.

The programme will open on April 17 in Montreal; the trade commissioners will visit Vancouver, Edmonton, Saskatoon, Winnipeg, Toronto and Halifax, finishing in Saint John, New Brunswick on June 2. Its aim is to develop the "ESP" ("export sales potential") of Canadian firms by bringing the services of the Trade and Commerce Department into the closest possible support of Canadian businessmen. It is intended to reach both experienced and potential exporters, to help achieve the Government's centennial year export target of \$11.25 billion and to increase exports in the years ahead.

A REALISTIC GOAL

Trade Minister Winters reiterated as follows his conviction that the target could be attained:

"A higher level of exports, including exports of fully-manufactured goods, is the key to strong, sound growth of the Canadian economy and continued prosperity. The goal of \$1.25 billion of

additional exports in 1967 can be reached through hard work and joint effort by business and government. Operation Export 1967 is one of the measures indicative of the stepped-up export promotional activity of the Department. We anticipate commensurate response from Canadian businessmen."

Departments of provincial governments concerned with trade are giving their full support to the programme as are trade associations, boards of trade and chambers of commerce throughout the country.

CANADIANS IN NORAD BAND

Ten members of the Royal Canadian Air Force recently took part in a three-day tour of Guatemala.

The "Calvalcade of Music" band, comprising 60 musicians, appeared in six Guatemalan cities, playing at eight concerts, two television shows and a dance. In spite of the fact that it rained throughout the tour, the "live" audience was estimated at 15,000. The RCMP musicians were entertained at dinner by the Canadian Chargé d'Affairs in Guatemala, Mr. M.H. Nelson.

The NORAD band was formed in 1959 and, from the start, included RCAF musicians; the first Canadian officer assigned to it, however, is the current associate director, Flying Officer Conn Fury of Ottawa. The band toured Canada last summer appearing at the Canadian National Exhibition in Toronto and the Central Canada Exhibition in Ottawa.

CPA IMPROVES BOARDING COMFORT

Following a recent meeting of the board of directors of Canadian Pacific Airlines, it was announced that the company would shortly construct at Malton Airport, Toronto, enclosed bridges between the terminal building and the flight ramp for the loading of passengers.

The enclosed bridges, each costing \$70,000, will extend on power-driven wheels from the second level of the passenger terminal to the nose door of the jet aircraft and passengers will be able to walk from the terminal building to the cabin of the plane through an enclosed passage. The Malton installations will be the first in Canada.

The meeting in Toronto was called to approve plans for anticipated expansion of the airline's operations out of Malton. CPA, already providing non-stop flights from Toronto to Amsterdam, Lisbon, Rome and Mexico City, as well as transcontinental service, inaugurated direct Toronto-Honolulu flights on November 2, 1966. By mid-1967, the airline will be flying its 205-passenger Spacemaster jets in and out of Malton.

POPLAR CONFERENCE

The native poplars of Canada and the contributions these tree species can make to the forest economy will be the subjects of discussion at a Canadian Poplar Symposium, sponsored by the Forestry Branch, Department of Forestry and Rural Development, held from February 21 to 23 at Harrison Hot Springs, British Columbia. The Symposium is expected to attract forestry experts of government, industry, trade associations, and universities from across Canada

Mr. A. Bickerstaff, Forestry Branch silviculture programme co-ordinator, explained that "the meetings will explore what is known about poplars in Canada - their characteristics, management practices, utilization, supply and demand - as a basis for further action to improve the contribution of poplar to the national economy".

The symposium will hear papers by several experts in their areas of specialization and will include workshop discussions and field trips to poplar plantations and natural stands.

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CANADA'S ECONOMY IN 1967

(Continued from P. 2)

extreme form, each province would ask for an accounting of the revenues it contributes to Canada, and the expenditures Canada makes within its borders. If the two didn't balance, Ottawa would be condemned - which means that Canada would be condemned. For the ultimate logic of this position is that each of us should pay into public treasuries only the amount that we receive in the form of services - in education, health services, transportation services, and the rest. If this is all that Canada or British Columbia means to us, we would scarcely need governments at all - we could simply buy the services on the open market.

It is similarly unwise to take this accounting approach to great national projects. If each province had insisted on the same number of miles of railroad *per capita*, the country would never have been joined together. Certainly British Columbia wouldn't be part of Canada. Over time we all benefit from the economic growth and prosperity which flows from the great Columbia River project, from the Pine Point railroad, from the South Saskatchewan River Dam, from the nuclear plants in Ontario, from Expo in Montreal, from the causeway to Prince Edward

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Island, and from the regional development which the Atlantic Development Fund is financing...

The essence of Canadian unity is caring about what happens to other Canadians and to other parts of Canada, and of believing that together we can do great things in the future, as we have in the past.

That is why in the field of economic policy we have attempted to find policies of benefit to both primary producers and producers of manufactured goods. Our policies for high and stable levels of employment have been for the general benefit of Canada, but we have constantly adapted them to special regional needs and in particular to stimulate the areas of slower growth.

FEDERAL-PROVINCIAL CO-OPERATION

We have programmes that equalize opportunity across Canada - the Canada Student Loans Plan, for example, and the new arrangements under which the Federal Government will contribute to the provinces 50 per cent of the operating costs of post-secondary education. There is the new adult-training programme which will provide assistance for the re-training of those workers who find they need new skills as technology changes and thereby increase their mobility. We have programmes to guarantee incomes to individuals wherever they live, such as the Unemployment Insurance Plan, the Canada and Quebec Pension Plans, and the Old Age Security Plan. Under the Canada Assistance Plan, financed jointly by the federal and provincial governments, social assistance is provided to others in the community who are in need. The federal and provincial governments co-operate in providing hospital-insurance programmes. Soon the medical care plan will be in operation to provide readier access to health services. Most important of all are the financial arrangements which ensure that the less-favoured provinces are able to provide minimum services to their populations by equalizing their provincial revenues to the national average...

These achievements of the past, and of the present, form the bonds of nationhood, the future of our country lies in the forging of new bonds - in striving to make Canada a better place and an exciting place for all Canadians regardless of where they live and what language they speak. In the meantime, we will, no doubt, go on psychoanalyzing ourselves and debating the issues and, indeed, the divisions of the day. But so long as we listen to the common-sense view of nationhood, that it is a family of peoples living together and working together for common purposes and caring about one another, we have every reason to be confident of the future of Canada.