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CANADA

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CANADA'S ECONOMY IN 1958

In his review of Canada's economy in 1958, Mr. Churchill, the Minister of Trade and Commerce said that, all in all, the current improvement in economic conditions is proceeding on a sound basis. The upward movement of wage rates has moderated but employment prospects are improving, and the purchasing power of the wage earner is being maintained. Prices of material have become firm but with capacity being ample, have not surged upward. Output in many industrial establishments is moving closer to an optimum level. These developments should help to restrain the upward pressure on prices and, at the same time, contribute to recovery in business earnings. There is little indication of an upsurge of boom proportions but in the continuation of a balanced improvement, lies the hope of achieving prolonged and steady growth.

Mr. Churchill said in part:

"...Considering the severity of the impact of adverse influences from abroad, the pace of economic activity in Canada has been remarkably strong. Weaknesses in some areas of demand have been offset by increasing strength in others and business conditions have in general remained favourable. The downward trend in overall production and employment, in evidence in the closing months of 1957, was checked early in 1958...."

"On the basis of nine-month figures it now appears that Canada's Gross National Product for 1958 will exceed \$32,000 millions, 2 per cent above the figure for 1957. Prices on

average have increased by almost the same percentage. Overall production in volume terms has equalled the level of the preceding year. Employment also has held up well and by the last quarter, jobholders numbered about the same as a year ago. Industrial employment has been running moderately lower, but this has been offset by a further filling out in service occupations. The labour force has grown at a slower rate this year, reflecting a level of immigration less than half that of 1957. Unemployment has been higher but the percentage increase from the same date a year ago has been narrowing sharply.

FOREIGN TRADE

"Despite conditions of ample supply in world-commodity markets, Canada's sales abroad have not followed the downward trend of world trade at large. Total exports in 1958 have remained at about the same level as in the preceding year. Substantially increased sales have been achieved for several commodities. Prominent among these is wheat, exports of which reached 316 million bushels in the crop year 1957-58 - up from 267 million bushels in the preceding year. Sales in commercial markets accounted for a good part of this increase. The improved protein quality of the 1957 and 1958 crops has been an important factor contributing to higher sales. Shipments made to Colombo Plan countries under long-term credit and aid arrangements have further added to the total movement. Barley also has been

exported in larger quantities during the past year, most of the increase going to the United Kingdom. Canadian beef has been moving into the United States market in substantially increased volume to supplement drought depleted supplies in that country. The annual export value of this item has surpassed the \$100 million mark for the first time since 1950. Among Canada's newer exports, sales of uranium have risen more than two-fold since last year to a figure well in excess of one-quarter billion dollars annually. With the delivery of natural gas through the West Coast transmission line, the export value of this item is fast approaching the \$20 million level. Within the category of manufactured goods, deliveries of military aircraft to NATO countries have added more than a \$100 million to exports during the past year. Among Canada's more traditional markets, sales of farm implements to the United States have been substantially higher during 1958. Increases in the value of exports of the foregoing items have roughly offset declines in a number of Canada's principal forest and mineral export commodities. On the whole, the reduction in exports of industrial materials has been relatively moderate when considered in relation to the decline in industrial activity in the United States.

"Imports into Canada, on the basis of figures available to date, are about 10 per cent lower in 1958 than in the preceding year..... A sustained level of merchandise exports, and lower imports, have entailed a substantial decline in Canada's merchandise deficit which, for the first 10 months of the year stands at \$242 million, compared with \$733 million for the same period in 1957. Most of this reduction has occurred in the commodity deficit with the United States which has declined from \$983 million to \$589 million. On the other hand, Canada's imbalance on non-merchandise items, such as tourist expenditures and interest and dividend payments, has been increasing. For the first nine months of 1958, Canada's deficit with the rest of the world on all current transactions amounted to \$795 million compared with \$1150 million in the same period of the previous year.

CAPITAL INVESTMENT

"At mid-year, capital spending plans, both private and public, provided for outlays of \$8.5 billion in 1958. Housebuilding has proceeded more rapidly than anticipated at that time. Capital expenditures of other types appear to have reached and possibly exceeded the level previously indicated. Overall capital outlays for the year may fall but little short of the record \$8,700 millions spent in 1957....

"Most noteworthy of all has been the spectacular rise in housebuilding. It is estimated that housing starts for the year will approach the 160,000 mark, 30 per cent more than last

year and well above the previous record of 138,000 units in 1955. Close to 150,000 dwelling units have been completed. A much increased carryover of unfinished houses at year-end will give an important lift to employment during the winter. The current upsurge in housing activity began in the latter part of 1957. At that time, minimum requirements for loans obtained under the National Housing Act were relaxed and large federal sums were made available for mortgage purposes. An important factor contributing to the sustained high level of housebuilding throughout 1958 has been the improved availability of mortgage funds from private sources.

"Because of the changed make-up of overall capital expenditures in 1958, the programme has had a somewhat altered physical impact upon the economy. With less expansion in material-processing industries, outlays for machinery and equipment have been lower. Although much of the impact of this reduction has fallen upon imports, it has resulted also in a lower level of activity in machinery-producing industries. On the other hand, there has been a considerable increase in construction work, particularly building construction. This type of investment has a relatively low import content and, accordingly, the demand-creating effects of the greater volume of work have been felt primarily in domestic industries. The additional demand for labour and materials arising from the increase in building construction has, in fact, been one of the principal stimulating forces in the economy during 1958.

INCOMES AND CONSUMER EXPENDITURE

"Another factor having an important sustaining effect upon general activity during the past year has been the high level of consumer spending supported by rising personal incomes. Of the principal forms of income, social security payments and other types of government transfers to individuals contributed more than any other category to the increase in current purchasing power. On the basis of nine-month figures, payments of this type have been running more than one-fifth higher this year compared with last. Farm income has shown a similar percentage gain mainly as a result of substantially larger livestock marketings. Certain categories of investment income also have increased quite sharply. The percentage rise in employee earnings, on the other hand, has been of more moderate proportions. Slightly lower employment together with a moderating upward trend in wage rates have resulted in a 2 per cent increase in labour income. Personal income, in total, increased by about 5 per cent between 1957 and 1958. Personal direct tax payments have been lower so that income left at the disposal of individuals has risen by about 6 per cent. Per capita income in real terms has maintained an upward trend.

"Consumer spending in 1958 has increased by

its Regular Force units. The reorganization will result in considerable savings in personnel without any loss in operational effectiveness and make possible the release of personnel to other commands and organizations whose commitments are expanding.

Late in the year the Command's C-5 aircraft carried Prime Minister Diefenbaker and his party to 19 countries during his 48-day world tour, covering a distance of approximately 46,000 miles.

Air Transport Command, which was put to a real test in 1956 when it was called upon to support the UNEF operations in the Middle East, was tested again this fall during Exercise Globe-Trotter, a combined Army-RCAF peacetime manoeuvre simulating the overseas airlift of the Battalion Group. For exercise purposes, men and equipment of the 2nd Battalion Royal Canadian Regiment were presumed to be making a 1400-mile flight from "somewhere" in Europe to a non-designated "trouble zone", while in fact they were making the 200-mile flight from London, Ont., to Mountainview, Ont. During the exercise, C-199 Flying Boxcars of Air Transport Command airlifted more than 1,000 soldiers, supplies and equipment from London to Mountainview.

NEW PLANES

Maritime Air Command continued to keep in top operational form during the year by co-operating in exercises with forces of the Royal Canadian Navy and Canada's NATO partners, together with its own regular ocean and coastal patrols.

In May, the Argus anti-submarine aircraft was officially handed over to the Command. Built by Canadair Ltd., the giant sub-killer is the largest aircraft ever produced in Canada and acquired by the RCAF, and is the best fitted aircraft in the world with respect to modern electronic and other equipment. In September, an Argus was flown to the NATO headquarters of the Supreme Allied Commander Atlantic, at Norfolk, Virginia, where a demonstration of its capabilities drew high praise from SACLANT and his American staff officers.

Also during 1958, Neptunes began replacing the veteran Lancasters of Maritime Air Commands' 407 Squadron at Comox, B.C. Once the replacement programme has been completed, Argus and Neptune aircraft will operate from the Command's bases on the east coast of Canada, and Neptunes will operate on the west coast.

At the two east coast stations at Summerside, P.E.I., and Greenwood, N.S., both of which were previously selected as major centres for maritime operations, work was started on the two \$7,000,000 programmes to provide additional operational facilities, including hangars, fuel and armament storage, service facilities, and aprons, taxiways and connecting roads.

AIR MATERIEL COMMAND

Air Materiel Command was busy throughout the year with its vital and complex task of providing logistic support for the RCAF. This responsibility included maintenance, servicing, supply, inspection, storage and salvage, in addition to testing and acceptance of aircraft and associated equipment.

In October, the Central Experimental and Proving Establishment's Air Armament Evaluation Detachment at Cold Lake, Alta., carried out its first aerial tests on the Ryan Firebee. The Firebee, a high-speed high-altitude, pilotless, jet target plane, simulates attacking jet fighters and bombers and serves as a realistic target for testing and evaluating present and future weapons systems.

SEARCH AND RESCUE

The RCAF's search and rescue organization also was kept busy during the year, as its aircraft flew approximately 5,500 hours on operations ranging from short mercy flights to full-scale search and rescue missions. More than 50 searches were conducted by the organization in 1958, of which 20 involved the saving of lives. In addition it made more than 130 mercy flights, airlifting sick and injured people from isolated areas to centres where hospital treatment could be given.

HONOURS AND AWARDS

Wing Commander John G. Showler, AFC, CD, of Winnipeg, was selected winner of the McKee Trans-Canada Trophy for 1957. The award, announced in June, was in recognition of his general contribution to the successful and accurate mapping of the Canadian Arctic when he was commanding 408 Photo Squadron based at Rockcliffe. His personal drive, enthusiasm and ability to accurately assess the capabilities of his men and equipment, were largely instrumental in the successful completion of the 1957 Arctic SHORAN (Short Range Aid to Navigation) programme and the Geodetic Survey of the whole of Canada.

During the year Her Majesty the Queen approved gallantry awards to Squadron Leader Andrew G. Carswell, of Toronto, and Sergeant Ian J. McPherson, of Vancouver, for their part in the rescue of a pair of fishermen from a sinking vessel off the west coast of Canada. S/L Carswell, captain of the Canso amphibian rescue aircraft, was awarded the Air Force Cross, while Sgt. McPherson, the crewman, was awarded the British Empire Medal. Both men were serving with the RCAF's 123 Search and Rescue Unit, Sea Island, B.C., at the time.

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AMBASSADOR TO IRAN

The Secretary of State for External Affairs has announced the appointment of Mr. George Bernard Summers, Q.C. as Minister Extraordinary and Plenipotentiary of Canada to

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CANADA'S ECONOMY IN 1958

(Continued from P. 2)

about 4 per cent from the level of the previous year, reflecting mainly higher outlays for food and other soft goods, services, and certain durable lines. Of the major consumer items, automobiles is the only one to show a significant decline. While spending more, Canadians have also been saving more. As a proportion of disposable income, personal savings have increased from 7 per cent in 1957 to about 9 per cent in the current year, much of this in liquid form. This is one of the highest ratios on record for a peacetime year. The financial position of consumers, on average, has been strengthening while living standards have been maintained.

INDUSTRIAL CONDITIONS

"The changing pattern of market demands during the past year has resulted in quite divergent conditions among Canadian industries. Many consumer lines, construction, and related material-producing industries have had a good year - in some cases a record one. On the other hand, most durable goods producers and export processing industries have experienced setbacks. In aggregate terms, shipments from domestic sources have declined less than imports, but in some manufacturing lines import competition has been felt keenly....

"A number of Canada's principal material-producing industries have had a lower level of output in 1958 because of declining export demand. These include pulp and paper, nickel, asbestos, petroleum and iron ore. For certain other items, such as copper, lead and zinc, output in tonnage terms has been maintained, but lower prices have meant substantially reduced dollar sales and profits to producers. The market for lumber products, on the other hand, has improved in 1958, mainly in response to the upsurge in domestic housing but also reflecting larger shipments to the United States. Some mineral industries also have done better. Gold production is up moderately. More natural gas has been needed to provide for expanding domestic and foreign outlets, and uranium output has moved up to the level provided for under-existing contractual arrangements....

"Conditions in Canada's major equipment industries reflect the decline in business investment and no significant increase in new orders has yet occurred....

PROSPECTS FOR THE COMING YEAR

"Of the industries which had previously suffered a decline, most have experienced some degree of improvement by year-end. In aggregate terms the pick-up in production to date has been quite moderate. There is, however, strong indication of a further expansion in market demand. Partly as a reflection of this improvement and also contributing to it, is

the fact that inventory liquidation is now coming to an end. In the first part of 1958, the tendency to meet orders by a drawing down of stocks was quite prevalent throughout a broad segment of Canadian industry. Conditions in this respect still vary from one trade to another. On balance, however, it now appears that the full impact of market demands are being reflected in new orders at the producer level. Operating levels are rising in a number of industries and this, in turn, is having a favourable effect upon earnings. In the months immediately ahead, this underlying improvement will be masked by the customary winter slowdown in outside operations, accompanied by a relatively high level of unemployment. Nevertheless, construction activity is likely to be higher than usual this winter, partly due to the record carryover of unfinished houses and also as a result of the special measures which have been taken to stimulate off-season work.

"The strength of further recovery will depend in large part upon external influences. In this regard, recent economic developments in the United States are encouraging. Production, in that country, has already recovered nearly all of the previous decline, and employment, after making allowance for usual seasonal changes, is now moving upward. Moreover, the present upswing appears to be broadly based and prospects of sustained expansion are generally considered to be good. Increased activity in the United States will, in turn, reinforce measures being taken internally in other industrialized countries to stimulate stronger rates in growth. Recent additions to hard currency reserves means that, in a number of these countries, some rise in domestic consumption could occur without strain on foreign balance positions. In these circumstances, some upturn in world demand for industrial material is likely to occur during the coming year. With greatly increased capacity in export industries and expanded reserves of proven resources, Canada is better equipped than ever before to meet increases in requirements from abroad. For the present, many of the commodities of importance in Canada's export trade are in ample supply and this is being reflected currently in export levels. In general, export markets may be expected to strengthen as the year passes.

"In recent months, new capital expenditure plans have been appearing in increasing volume. In terms of the actual amount of physical capital being put in place, this rising volume of new work may not for a time fully compensate for the termination of work on large projects now being completed. What is presently known of capital expenditure plans for 1959 indicates that business investment will be up in some sectors but moderately down in total. However, a period of improving business conditions tends to encourage the creation of new expansion programmes and the

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RCAF YEAR-END ROUNDUP - 1958

As 1958 ended, the RCAF looked back on a year of sustained effort which saw vital new equipment come into squadron service in the Maritimes, and which was highlighted by its first major step into the missile age.

Work continued on the CC-106 turbo-prop transport, and the Cosmopolitan medium transport aircraft, both being built for the RCAF by Canadair, Ltd.

AIR DEFENCE COMMAND

Elements of Air Defence Command stood ready on a 24-hour-a-day basis throughout the year to detect and attack any hostile aggressor. Keeping these elements in top operational form were several NORAD exercises, together with the Command's own continuous operational training.

In September, Prime Minister Diefenbaker announced that an integrated weapons system which includes the BOMARC missile and SAGE (semi-automatic ground environment) would be introduced into the Canadian air defence system by 1961. The extension and strengthening of the jointly built and operated Pinetree radar control system was also approved. Two bases for firing BOMARC missiles are to be built in the general Northern Ontario and Quebec areas and others may be located in Canada in the later development of the programme.

A milestone in the history of the Canadian aviation industry came in March when the delta-wing Avro Arrow, first supersonic aircraft produced in Canada, made its initial flight at Toronto's Malton Airport. In a statement issued in September, Prime Minister Diefenbaker said "...the Government has decided that the development programme for the Arrow aircraft and Iroquois engine should be continued until next March, when the situation will be reviewed again in the light of all the existing circumstances at that time".

Runway barriers were installed at seven Air Defence Command bases in Canada during the year. An emergency device, the barrier is designed to prevent tricycle-wheeled aircraft, up to and including the weight of the CF-100, from becoming damaged if they should overshoot the runway on landing.

NO. 1 AIR DIVISION IN EUROPE

Overseas, the approximately 6,000 members of Canada's European-based Air Division continued to retain their high operational standard of the previous year. Simulated combat exercises were carried out during 1958 among the RCAF's four fighter wings and with other NATO countries, to maintain this standard of readiness.

Canadian aircrews again won top honours from the cream of aerial marksmen of other NATO air forces during the air firing com-

petitions at Cazza, France, winning for the Air Division the Guynemer Trophy, which is emblematic of air gunnery supremacy within the Allied Air Forces of Central Europe.

Operational training of German pilots on F-86 Sabre jets got under way this year at Oldenburg, Germany, under supervision of an RCAF Advisory Group from Canada's No. 1 Air Division. In addition to aircrew training at the new German operational training unit, RCAF technicians are giving on-the-job training in servicing the Sabres to German groundcrews.

TRAINING SLACKENS OFF

In July, a ceremony held at RCAF Station Winnipeg marked the closing of the original NATO aircrew training scheme which began in 1950 as one of Canada's mutual aid contributions to NATO. Final intakes of NATO aircrew personnel to be trained under the plan are now nearing completion of their courses and are scheduled to graduate early in the new year. Under separate arrangements replacing the original plan, training is continuing for a limited number of aircrew from Norway, Denmark and the Netherlands, and some German pilots are being trained in Canada under a similar agreement.

Since the inception of the original scheme, the RCAF has graduated more than 5,000 aircrew from 10 NATO countries. With the gradual reduction in training, two of the Command's bases--Clareholm, Alta., and London, Ont., were closed during the year.

BUSY YEAR

1958 was a busy year for Air Transport Command, as its aircraft airlifted nearly 14 million pounds of cargo and more than 70,000 passengers. During the year more than 180 scheduled round trips were made to Europe in support of the RCAF's No. 1 Air Division and the United Nations Emergency Force in the Middle East. In addition to the regular Middle East flight, nearly 650 replacement troops were airlifted from Montreal to El Arish and 675 were returned, on special UNEF rotation flights made between mid-September and November 1.

Late in 1957, the RCAF's two Comet aircraft were put into scheduled service on the trans-Atlantic air route to Europe and since that time have made 28 round trips, carrying personnel to and from the overseas Air Division. One of the Comets set a new record for the Command in October, when it spanned the Atlantic from Gander, Nfld., to overhead Shannon, Ireland, in 3 hrs, 36 mins.

Also in October came the announcement that Tactical Air Command Headquarters in Edmonton would disband January 1, 1959, and that Air Transport Command would assume command of all

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speeding-up of existing ones. In the current situation, there is likely to be a further filling out of business investment intentions affecting the short as well as the longer term. Meanwhile, outlays for institutional building and public projects are continuing to increase. In aggregate, capital spending in 1959 may be only slightly less than in the current year. A further rise in the proportion of total outlays spent on building construction, as opposed to engineering construction and industrial equipment, appears probable. This means that the domestic content of the programme will remain relatively heavy.

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AMBASSADOR TO IRAN (Continued from P. 4)

Iran. Mr. Summers, a native of Newfoundland, is at present Head of the United Nations Division of the Department of External Affairs in Ottawa. He will be the first Canadian Minister to Iran and will take up his duties in Tehran early in the new year.

Iran has maintained a legation in Ottawa since 1956. The appointment of a Canadian Minister in Tehran is a further recognition of the ties and friendship which exist between Iran and Canada and which are expected to be of even greater importance to the two countries in the future.

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BOTANICAL CONGRESS

The Ninth International Botanical Congress will be held in Montreal, from August 19 to 29, at the University of Montreal, McGill University and Sir George Williams College.

The first session of the International Botanical Congress was held in Brussels in 1864. It has been held only once before on this continent, in the U.S. This will be the first time it has been held in Canada. About 6,000 delegates from 72 countries are expected to attend; it will be by far the largest scientific conference ever convened in Canada.

* * * * *

"Perhaps the sharpest impetus to demand in the period immediately ahead will come from the consumer. This new punch may be sparked by the resurgence of consumer interest in durable goods, particularly automobiles, sales of which have been lagging in the last two years. Also, the rising volume of housing completions will give further momentum to the upward trend in purchases of home appliances. New incentives to buy will be reinforced by the improved financial position of consumers and the continuing rise in personal incomes. These conditions augur well for the enterprising retailer."

The programme of the scientific sessions will be conducted in 16 sections and will deal with all aspects of botany in its broadest sense, including plant production, breeding, and protection and their implications for agriculture and forestry. Some 400 selected leading scientists representing all sections of the programme have been invited to present papers, participate in symposia and give public lectures. About 2,000 contributed or voluntary papers will also be given.

An extensive series of field trips constitute an important part of the Congress. Seventeen pre-Congress field trips and 7 post-Congress field trips have been organized, covering the period July 20 to September 14. These trips will take foreign scientists to all parts of Canada, from coast to coast and to the sub-Arctic. Probably about 2,000 delegates will participate.

These trips will present unrivalled opportunities for scientists of the world to see Canada, and also to visit universities, research institutions and industrial developments.

During the period of the meetings in Montreal, commercial firms will be given the opportunity of exhibiting in the Winter Stadium of McGill University where nearly 90 booths will be provided. Canadian government departments and research institutions will have displays at various places on the campuses.