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NEW GOALS FOR CANADIAN EXPORTERS

Addressing members of the Air Industries Association of Canada in Victoria, British Columbia, on October 3, the Minister of Trade and Commerce, Mr. R.H. Winters, said:

...Canada's aerospace industry is rapidly expanding its capabilities and developing product lines which have earned ready acceptance in both the domestic and export markets. Some of your output is unique, some highly specialized, but all reflects high competence and high quality. Examples, admittedly incomplete, would include: the family of STOL aircraft consisting of the *Beaver*, *Otter*, *Caribou* and *Buffalo*, the exciting CL-84 *Dynavert*, a tilt-wing vertical take-off aircraft; the CL-215 water-bomber; the production of airframe components to the most exacting standards; the PT6 gas-turbine engine; flight simulators; the Canadian Doppler navigational system, the Canadian position and homing indicator and the crash position indicator; specially compact UHF transceivers of remarkable flexibility; aircraft galleys; and a growing variety of specialties ranging from surveillance target acquisition drones to high-altitude rocketry and space satellites....

Statistics for your industry for the period January-June 1966 are revealing:

Gross selling value of products	\$292.5 million
Value of exports to the U.S.A.	\$125.9 million
Value of exports to other countries	\$ 37.4 million
Number of employees	41,000 (approximately)

In fact, your industry is very much to the forefront amongst Canadian industries that export fully manufactured products. In 1965, only the automotive industry exported more than the air industry - and in prior years you were ahead.

U.S. MARKET

Undoubtedly, Canadian relations with the United States have been a major factor in your success. Geography, defence alliance, economic interdependence and corporate affiliations have been fundamentally significant. But, on the other hand, your products have had to be top quality and competitive in all respects. And you have been selling in other markets in the face of world competition, as well. Credit must be given where credit is due.

Clearly the United States will remain your chief export market. That country now has the largest share of the world's aircraft population in all categories. In 1965, almost two-thirds of the aeroplanes of the world were in the U.S.A.; this proportion is expected to increase in the next decade to three-quarters. In addition to being the largest user, the U.S.A. is by far the largest producer of aircraft. In 1965, U.S. industry manufactured nearly 16,000 aircraft or 84 per cent of all those produced in the Western world; not only will this predominance continue, but the production percentage is expected to rise further.

POTENTIAL MARKETS ELSEWHERE

Canada, through your industry, stands to share in this huge market. But there are potential markets also in other parts of the world. You must gain your share of the global market. As your Association's current annual report points out: "Exports in general, and commercial exports in particular, are becoming of ever-increasing importance to our industry...the Canadian market alone is insufficient to support a modern, aggressive Canadian aerospace industry."

Competition for export sales will become keener in markets abroad. Sophistication of product will increase. Our export prospects will depend on productivity, research and development, and specialization....

Currently, for the nation as a whole, we are enjoying a high level of prosperity. In fact, since early 1961, the Canadian economy has been expanding at an unprecedented rate. This growth has been broadly diffused and well balanced. In particular, the traditionally weaker sectors of industry have made substantial progress. Never before has secondary manufacturing played such a leading role in spearheading national growth....

RECORD EXPORTS

Canada's exports in 1966 have been growing at a truly remarkable rate, registering a 17 percent gain over the corresponding 1965 figure in the first seven months of this year. More recently, transportation difficulties at home and abroad as well as economic difficulties in the United Kingdom may slow down this rapid rate of increase in the latter part of 1966. However, there is good reason to expect that the value of Canada's merchandise exports for 1966 as a whole will reach the \$10 billion level - a new record. This would be about 70 percent higher than our export total, as recently as 1961, of less than \$6 billion. It would also represent an average gain in our exports of over 11 per cent a year during each of the past five years - a figure well ahead of the strong growth in the domestic demand for Canadian goods and services.

This ability to expand our exports enabled us to have a more rapid growth-rate than would otherwise have been possible. Coming at a time when domestic demand for our production was rising rapidly, it enabled us to meet the growing foreign-exchange requirements of our sharply expanding economy. Thus, this surge in exports has been particularly opportune, because Canada's merchandise exports on balance have matched the gains in our imports during the period since 1961. The rapid increase in imports has come about as a result of burgeoning consumer demand stemming from rising incomes augmented by an especially sharp increase in the demand for capital goods.

Since 1961, total outlays on business construction and machinery and equipment have virtually doubled. In spite of these internal demand pressures, we were able to realize a modest trade surplus in 1965 and we expect that the situation may also hold for this year.

EXPORT PATTERNS CHANGE

While there is no question that the rapid growth of the United States economy has been especially important in sustaining strong growth in our exports, it is also true that much of our improved export performance has been due to developments which reflect basic changes in our traditional export patterns.

A case in point is the U.S.-Canadian automotive trade pact, which permits manufacturers free cross-border movement of new motor vehicles and parts. This is encouraging the rationalization of the Can-

adian automotive industry on a more efficient basis and has already contributed to a major increase in total Canadian production of automobiles.

The arrangement is already achieving positive results by way of expanding the role of the Canadian automotive industry in the North American market. Canada is on the way to becoming a net exporter of finished automobiles to the United States. This surplus in our exchange of finished automobiles will help offset our continuing large deficit in parts.

HIGH LEVEL OF GRAIN EXPORTS

Canada's record exports of wheat and flour have also bolstered our trade position in a major way. During the 12-month period ending July 31, 1966, Canada's exports of wheat and flour totalled close to 600 million bushels - the highest level in the history of grain marketing in Canada. Much of the extra impetus in this trade has come from sales of wheat to the Soviet Union, Eastern Europe and mainland China. The importance of these new markets can be gauged by the fact that, during the three-year period 1963-5, Canada was able to achieve sales of \$1.25 billion in these non-traditional markets.

Nevertheless, important as some of these new developments are in our basic trade position, we should be deluding ourselves if we did not acknowledge the basic fact that, over the long haul, it is Canada's ability to price her goods competitively in foreign markets that will be the key to our continuing economic growth and prosperity. If the current "Kennedy round" is successful, and economic barriers to world trade come down still further, thereby providing us with greater opportunities, this factor of competitiveness will become more important than ever.

WAGE-COST PERIL

Over the course of our expansion since 1961 and until recently, unit-wage costs in Canadian manufacturing have about kept pace with those in the United States and, in general, our price and cost performance during the past five years has compared favourably with most Western industrialized countries. However, over the past several months, a more basic and potentially ominous inflationary tendency has tended to emerge from the fact that increases in costs are currently outstripping productivity gains by an uncomfortably wide margin. In 1966, for the first time in the Sixties, it appears that the general price level in Canada is rising as fast or possibly faster than in most Western European countries. Should these tendencies persist, there could be a serious erosion in Canada's competitive position in international markets....

It behoves your industry, as well as all others in our country, to remain competitive by every means at your command. Some of the answer can be found in increased exporting. A recent study by the federal Department of Industry indicates tremendous demand for aerospace products the world over in the next decade, and larger production runs should result in lower unit costs.

The Department of Trade and Commerce wishes to offer you all possible assistance in your trade promotion objectives in order that you may share to the fullest these future markets....

GREAT LAKES GAS-LINE OK'D

The Prime Minister recently announced that the National Energy Board had made a new recommendation to the Government concerning the application by Trans-Canada Pipe Lines Limited for the construction of a pipeline commonly referred to as the Great Lakes Project. This recommendation had been made on the basis of certain undertakings to be concluded between Trans-Canada and the Minister of Energy, Mines and Resources, in a form acceptable to the Minister.

In the light of these undertakings, the Government has approved the Board's recommendation and issuance of a certificate of public convenience and necessity, as well as export and import licences to Trans-Canada in connection with the Great Lakes Project.

Following the decision of the Government on August 25 not to approve the report of the Board on Trans-Canada's original application, the company offered certain undertakings in order to meet the objections raised by the Government.

MAIN GOVERNMENT OBJECTION

The basic objection was that, once a 36-inch pipeline system through the United States was established, it would "almost inevitably become the main line". Additions to the 36-inch line would be more economical than additions to the 30-inch system through Northern Ontario, with the result that the Canadian line would "increasingly assume a secondary position as a line to service markets along its route". This, the Government felt, would not have been in accord with either the spirit of the policy laid down by Parliament in the Act incorporating Trans-Canada Pipe Lines Limited or the national interest. Trans-Canada has now met this point by giving an undertaking that more than 50 per cent of the volume of the gas from Western Canada required to supply Eastern Canada will be transported through its main line, across Northern Ontario.

Trans-Canada has also agreed to accept as a target that, by the end of 1976, 60 per cent of the Eastern Canadian gas requirements will be transported through the Northern Ontario main line, and has further agreed that its long-range objective will be to transport 65 per cent of the volume for Eastern Canada through the Northern Ontario facilities.

EDUCATION AID TO GUYANA

The Secretary of State for External Affairs, Mr. Paul Martin, announced recently that particular attention would be paid to education and the development of the interior in Canada's programme of external aid to Guyana during 1966-67.

An allocation of \$300,000 has been made to help build the new University of Guyana, complementing a similar allocation of Canadian funds to that institution last year. A memorandum of understanding has been signed between Canada, the university and the Government of Guyana, under which Canada will

provide up to \$1 million in grant-aid funds for this purpose over a three-year period.

Funds totalling \$65,000 have been set aside to initiate a programme for the provision of advisory staff and the counterpart training of Guyanese teachers for the New Amsterdam Vocational School, which will serve Guyana's second largest city. Under the continuing technical assistance programme, 11 educational and technical advisers (including four professors for the University of Guyana) are under contract to serve in Guyana, and training has been arranged in Canada for 37 Guyanese students.

Canada has agreed to undertake the topographical mapping of the Guyanese interior, which will lead, it is hoped, to controlled exploitation of mineral, hydroelectric, forest and agricultural resources. One-million dollars worth of Canadian assistance will be allocated this year toward the cost of a programme of control surveys, aerial photography and topographical mapping of a 54,000 square-mile area.

A De Havilland *Twin Otter* valued at \$330,000 will also be supplied by Canada to the Guyanese Airways Corporation, to help open up potentially rich lands in regions now inaccessible.

NORTHERN EDUCATION PROGRAMME

Mr. Arthur Laing, the Minister of Indian Affairs and Northern Development, has announced an accelerated school-construction programme that will provide a full pre-university education system for all residents of the Northwest Territories and Eskimos in northern Quebec. The target date for completion is 1971. Costs of the programme and other costs for operation of the system are shared by the federal and territorial governments according to an existing cost-sharing agreement.

The plans, which began in the summer of 1963, call for stepped-up construction of elementary, secondary, and vocational schools and facilities for pre-school classes, and include residences for pupils from outlying camps and small settlements, and teacher accommodation.

By 1971, 132 new classrooms, 64 auxiliary rooms, and 54 classrooms replacing outdated facilities will have been built. Facilities to house 1,550 resident students and about 200 school staff members will be required. "It is our intention to provide all children in the North with secondary as well as elementary school facilities," Mr. Laing said. "They should have the same opportunity to prepare themselves for a higher academic or technical education as children in other parts of Canada."

ADULT EDUCATION

Part of the new programme is a stepped-up adult education programme.

Explaining the need for adult education, Mr. Laing said: "The adult Eskimo or Indian is wise in the ways of maintaining life under the most difficult circumstances; but without special help he may lose touch with his own children once they have achieved

a high degree of knowledge and skill in modern living."

Pre-school classes are an important new feature of the programme to help children - Indian, Eskimo, Métis - who may come to school for the first time, speaking little or no English, and to whom the whole school experience is strange. This programme is designed to ease and reduce the period of adjustment for such children and to help them to compete on equal terms with other children when they start regular classes.

VESSELS TO VISIT EXPO '67

Of the 70 national participants in Expo '67, 37 are maritime nations. Canada has issued invitations to all participating countries that possess naval forces, research ships or training ships to be represented by one or more of these vessels during the week of their Special or National Day at the Exhibition.

At least 50 ships are at present expected to take part in this programme during the Exhibition. All visiting ships will be berthed in special harbour facilities provided by the National Harbours Board within the grounds of the Exhibition.

The presence of the visiting ships, with the normal passage of Seaway traffic to the south of the Exhibition grounds and the busy activities of Montreal Harbour, will demonstrate to Expo visitors the seaport character of Montreal. Fluttering pennants, naval protocol, the presence of uniformed seamen of many nations, and the opportunity to board and tour the ships will add to the entertainment and education of visitors.

BLUENOSE II

One of the most dramatic phases of Canada's maritime history will be invoked as *Bluenose II*, a recently-constructed copy of Canada's most famous schooner, acts as host ship of the programme. It has been placed at the disposal of the Exhibition Corporation and the Royal Canadian Navy for this purpose by Oland and Son Ltd. of Halifax. The *Bluenose II* is an exact reproduction of the original, a lithe, graceful, two-masted Grand Banks fishing-schooner which, in her lifetime, raced and defeated everything under sail in her class. *Bluenose I*, the swift Lunenburg "saltbanker", was lost on a Caribbean reef in 1946 after serving throughout the Second World War running supplies in the West Indian islands.

Canada's contribution to the programme will also include: the *Hudson*, research ship of the Department of Mines and Technical Surveys; two Canadian coast guard ice-breakers; two Navy League training brigantines, the *Pathfinder* and the *St. Lawrence*; and the patrol vessel the *Commissioner Wood*.

Definite commitments received by Expo to date include: U.S.S.R.: the *Akademik Kurtchatov*, one of the most modern oceanographic research ships in the world; one training ship and a transport ship; Nether-

lands: two destroyer escorts; Britain: a squadron of her most modern naval vessels; Norway: the *Oslo*; Sweden: one Holland class destroyer; Finland: the *Matti Kurki*, a destroyer; Denmark: the famous full-rig training ship, *Danmark*; Germany: two Hamburg-class destroyers; and France: three destroyers under the command of Vice Admiral Lahaye, *Commander, destroyer, Atlantic*.

The United States has announced it will participate but has not named its vessels. It is also hoped that there will be ships from Italy, Cuba, India and other maritime nations.

INCO AWARDS

The International Nickel Company of Canada has awarded \$61,400 to 13 Canadian universities and the Canadian Mathematical Congress. The funds will help finance supplementary courses and seminars for secondary school teachers specializing in science, mathematics and guidance counselling. The latest awards are a continuation of INCO's successful effort over the past ten years to assist in developing better-qualified teachers.

The funds are used for INCO teacher bursaries and to offset administrative, instructional or equipment costs. The bursaries encourage teachers to attend summer courses and seminars or special week-end courses during the winter months. Since 1956, grants from INCO for this purpose have totalled \$483,350, and some 4,000 teachers have participated.

UNIVERSITIES INVOLVED

Universities taking part in 1966 are Acadia, Memorial and New Brunswick in the Atlantic Provinces; Macdonald College of McGill University in Quebec; Brock, Laurentian, Queen's, Toronto, Waterloo, Western and Windsor in Ontario, and Manitoba and Saskatchewan in Western Canada. The Canadian Mathematical Congress held their summer programme for mathematics teachers at Dalhousie University, Halifax.

The International Nickel Company has contributed more than \$8,500,000 since an enlarged programme of aid to education was initiated in 1956.

PREHISTORIC SKELETONS FOUND

Two skeletons thought to be about 3,000 years old were discovered recently by archaeologists of the Canadian Historic Sites Division at Fort Coteau du Lac, about 30 miles southwest of Montreal. One skeleton, found in a horizontal position, is incomplete, and it is thought that it was disturbed during the construction of the ramparts of the Fort under which it was found. The second, found nearby in a flexed position, is intact. Since red ochre, which was used in Indian funeral rituals, was discovered in the vicinity of the burials, archaeologists are reason-

ably sure that the skeletons found are those of Indians. This supposition is strengthened by the absence of any objects of European origin.

The work of stabilizing the ruins at Fort Coteau du Lac will continue during the autumn and winter. The Canadian Historic Sites Division is at present building a model of the Fort as it appeared at the end of the eighteenth century, which will be placed in the visitors' centre.

GUT DAM AGREEMENT

The Secretary of State for External Affairs, Mr. Paul Martin, announced recently that Mr. A.E. Ritchie, the Canadian Ambassador to the United States and Mr. Dean Rusk, the United States Secretary of State, had exchanged instruments of ratification, by bringing into force the agreement between the Government of Canada and the Government of the United States of America concerning the establishment of an international arbitral tribunal to dispose of U.S. claims relating to Gut Dam, which was signed March, 25, 1965.

In accordance with provisions contained in the agreement, both Governments have appointed jointly Dr. Lambertus Erades, Vice-President of the Rotterdam District Court, the Netherlands, to preside over the three-man tribunal. Canada has appointed the Honourable Daniel Roach, a retired judge of the Court of Appeal of Ontario, as the Canadian national member and the United States Government has appointed Professor Alwyn Freeman of John Hopkins University as its national member.

LONG-STANDING CLAIMS

These claims arose in 1951 and 1952. At that time there were unusually high water levels on Lake Ontario. Residents of the United States owning real estate on the south shore of Lake Ontario and the St. Lawrence complained that these levels resulted in damage to their properties and were attributable in whole or in part to the construction by the Government of Canada of a navigation improvement in the international section of the river known as Gut Dam.

The construction of Gut Dam was carried out at the beginning of the century in pursuance to arrangements entered into between the Canadian and United States Governments of the day. Gut Dam itself was removed in 1953 as part of the St. Lawrence Seaway construction programme.

Over the years, inter-governmental negotiations have been in progress with the United States on an intermittent basis with a view to finding a solution. The bringing into force of this agreement represents the successful results of these negotiations. Under the terms of this agreement the United States claimants will be afforded the opportunity to have their claims heard and disposed of on their merits. Any award made by the tribunal will be final and binding on both Governments.

CANADIAN CLAIMS

There are also on record complaints concerning damage allegedly attributable to Gut Dam from residents of Canada holding real estate on the north shore of Lake Ontario. Claims by Canadians against the Canadian Government will not be considered by the international tribunal. However, if the findings of the tribunal make it desirable to do so, the Canadian Government will at that stage consider the establishment of special procedures for Canadian claims.

MONTREAL-MOSCOW RETURN FLIGHTS

It was announced recently that Air Canada would begin DC-8 jet service to Moscow and Copenhagen, on a once-a-week return basis.

The new flight, designated Air Canada 876, will leave Montreal every Tuesday beginning November 1, at 9:30 p.m. and Air Canada's flight 877 will leave Moscow each Wednesday at 7:10 p.m., Moscow time.

Aeroflot, the Soviet airline, will begin service to Montreal from Moscow on a weekly return schedule, November 4, arriving in Canada each Friday at 3:10 p.m., and departing for Moscow on Saturdays at 5:05 p.m.

Under the terms of the reciprocal agreements signed between Canada and the Soviet Union and between Air Canada and Aeroflot July 11, Air Canada will handle the Russian TU-114 turbo-prop aircraft on the ground in Montreal, while Aeroflot will service the Canadian carrier's DC-8 in Moscow.

Air Canada's inaugural flight to Copenhagen and Moscow, November 1, will mark the first time a North American airline has operated into the Soviet capital on a regularly scheduled basis, and will be the first Canadian service to Scandinavia.

Similarly, November 4 will mark the start of the first scheduled Soviet air service to North America.

MORE STRIKES

According to a preliminary summary of strikes and lockouts released recently by Mr. John R. Nicholson, Minister of Labour, there were more work stoppages in August, and more man-days lost, than in any of the seven previous months.

August had 132 work stoppages, involving 216,080 workers and a time-loss of 968,260 man-days, compared to 108 stoppages in July with 83,195 workers involved and a loss of 812,720 man-days.

AREAS AFFECTED

Twenty-one of the stoppages were in industries under federal jurisdiction. Of the rest, 52 were in Ontario, 28 in Quebec, 11 in British Columbia, six in Nova Scotia, four in Alberta, three each in Manitoba and Saskatchewan, two in Newfoundland, and one each in Prince Edward Island and New Brunswick.

Sixty-two of the work-stoppages involved 100 or more workers; stoppages involving railways concerned a total of 118,000 workers. Of these 62 stoppages, 32 were terminated by the end of the month.

A breakdown by industry of the month's work stoppages shows 63 in manufacturing, 29 in transportation and utilities, 17 in construction, eight in trade, seven in mines, four in service, three in public administration and one in forestry.

Based on the number of non-agricultural wage and salary workers in Canada, the number of man-days lost in August represented 0.70 per cent of the estimated working time, compared to 0.65 per cent in July. The corresponding figure for August 1965 was 0.20 per cent.

NEW GOALS FOR CANADIAN EXPORTERS

(Continued from P. 2)

I must emphasize, however, that the Department's role is that of catalyst. The Government itself is not an important exporter or importer. Its role is to create a favourable climate in which the business sector can operate effectively. Our officials can assist at export in many ways but, in the last analysis, it is the Canadian businessman who makes the sale. It follows that the businessman must be responsive to market opportunities, prepared to develop those that are potentially within his capabilities. The necessary increase in Canada's total exports will require all our exporters to be alert to prospects everywhere.

IRON CURTAIN MARKETS

Let me illustrate. I am just back from visiting Eastern Europe. I spent time in each of Poland, Czechoslovakia, Yugoslavia, Bulgaria and Hungary. These are markets which are largely unfamiliar to Canadian exporters and yet I am convinced they have potential for us. Not only did I find every indication of a desire for greater mutual trade, but of particular significance to our export prospects, in my opinion, is the trend in these countries to relatively more open economies and increasing decentralization.

New opportunities for Canadian exporters will arise from the new systems of economic management these countries are introducing that will enable more direct contact between manufacturers and foreign

suppliers. Enterprises will be offered efficiency incentives enabling them to purchase machinery abroad and will be subjected to greater competition through increased imports of consumer goods from other countries. In all these countries I found a positive attitude favouring expansion of trade and diversification of trading opportunities...

In addition to the efforts of the Department to promote exports and support the efforts of Canadian businessmen to make sales, it also plays an important role in the process of widening access for Canadian products in foreign markets through trade negotiations. Our major effort in this direction is, of course, in the current trade negotiations now rapidly coming to a head in Geneva....

As you will recall, the "Kennedy round" was opened some two years ago consequent upon the basic offer of the United States Government to cut its tariff in half over the whole range of items, subject to reciprocal benefits.

As recently as the time of my last visit to Geneva, in February 1966, progress had not been spectacular. There had been delays and difficulties among the various participants in the tabling of offers and exceptions. The key bottleneck was the failure of the member nations of the European Economic Community to table their agricultural offers. These nations have now come to an agreement on an agricultural policy for the Community and have thus opened the door for the resumption of negotiations.

SENSE OF CHANGE AT GENEVA

I felt a very real change in the atmosphere in Geneva last week. There was a sense of urgency, of an earnestness to bring the negotiations to a successful conclusion. As you know, the Trade Expansion Act, which is the basis of the U.S. negotiating authority in the "Kennedy round", will expire at the end of next June. This means, given the time needed to tie up loose ends, that the substantive part of the entire negotiations must be concluded by early in the new year....

I am, by nature, a believer in freer trade. As a Government, we are engaged in a determined effort to reduce barriers to world trade. But barriers still remain and these are clearly frustrating the full realization of your potential. You have demonstrated your ability to compete on what amounts to conditions of free trade. But I believe that our long term objective, in your interests and in Canada's interests, should be freer trade, not continental or even regional but on the widest global basis possible. I believe we cannot set ourselves a lesser goal.
