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Effects of the energy shortage on Canada and the world

"The problems of the supply and price of oil are only the currently most acute symptoms of a much wider problem: the increasing demands made by mankind on the world's food and industrial resources," stated Mitchell Sharp, Secretary of State for External Affairs, in a report to the Standing Committee on External Affairs and National Defence on March 19. He said that the sharp and sudden rise in oil prices had produced extraordinary results throughout the world and, he warned, "unless measures are taken to insure continued growth of the world economy, the world trading system could as a result be seriously undermined".

Mr. Sharp continued:

The main industrialized countries, which are large users of energy, have a major responsibility because of their importance in world trade, to try to prevent this from happening. It was with this end in view that Canada attended the Washington Energy Conference in early February and has co-operated in the follow-up to that Conference which is aimed essentially at identifying the economic facts of the situation, trying to ensure that appropriate steps to correct the situation are being taken in the various international institutions, and to lay the groundwork for an early and meaningful dialogue with the oil-producing countries on problems of mutual concern.

Another broad area of agreement in Washington was on the necessity for research into and development of the world's untapped sources of energy. These include the known deposits of the more complex forms in which oil is found, such as heavy oil and oil sands in Western Canada, and the oil shale deposits in the U.S. There is also the longer term problem of the smooth transition to other forms of energy such as nuclear power, about which quite a bit is already known, and the longer term quest for geothermal and solar power.

As both producer and consumer, Canada occupies a rather different position from a good many of the other industrialized countries. While the net effect of oil price increases on our balance of payments is very small, we cannot hope to escape the inflationary effects of still rising prices in an

already serious world inflationary situation. Nor can we as a country heavily dependent on foreign trade afford to ignore the possible adverse effects on world trade caused by the run down of foreign exchange reserves and the general destabilization of world production.

Canada therefore has supported vigorously efforts to maintain the world pace of economic activity and to encourage the newly wealthy oil producers to play a role in international financial institutions commensurate with their new financial status.

We have learned with great interest that the producing countries are actively seeking ways in which to share with other developing countries some of their new found wealth. Canada welcomes this positive step. Most of these countries are themselves in the process of development and in the earliest stages of industrialization. They have made clear their desire to use these funds for the rapid development of their economies, as well as for a large range of social purposes.

New embassies in Middle East

A number of these countries have made known to Canada their wish for closer relations for the mutual benefit of both sides. We have therefore begun a program of extending our representation in the Middle East to assist this process. The opening of a Canadian embassy in the Saudi Arabian capital of Jeddah was announced on December 21. At that time, I said that the Government would shortly be considering the opening of other missions in the Middle

East such as in Baghdad and elsewhere.

Apart from the opening of embassies, the earlier step of establishing formal diplomatic relations with Bahrain, Qatar, Oman and the Federation of Arab Emirates was announced on February 2. The Canadian Ambassador resident in Teheran will be the Canadian representative accredited to these states.

We have also agreed to establish diplomatic relations with the two Yemens: the Arab Republic and the People's Democratic Republic. We had already established commercial relations with these two countries. This now completes the formal establishment of relations with all countries of the Middle East.

At the intergovernmental level we shall wish to encourage discussion: to ensure the dependability of world oil supply; to discourage the use of oil and other commodities for political purposes; and to achieve some stabilization of oil prices at levels which are reasonable from the point of view of both producers and consumers. Oil prices did indeed remain low for a good many years, and there was room for upward movement to reflect the cost of bringing on new conventional and non-conventional sources of energy.

Urgent need of developing countries
We are particularly concerned to ensure that action is taken to prevent the economic collapse of those developing countries heavily dependent on imports of oil. An over-all increase in the flow of development aid, bilaterally and through multilateral institutions, is urgently required from major traditional donors and from those who have benefited from increased oil revenues, together with a reassessment of the geographic allocation and the composition of aid programs, both bilateral and multilateral, in the light of the differing effects on developing countries of those higher oil prices.

The current uncertainty as to the prospective level of world oil prices makes it, of course, extremely difficult to extrapolate the effects of the situation even over a one-year period. However, certain inescapable facts confront us. Almost three quarters of the developing countries do not produce their own energy supplies. Based on oil demand projections calculated

prior to October 1973, those countries might expect to pay for their oil imports in 1974 triple the amount they paid for oil imports in 1973. The resulting foreign exchange costs could surely not be borne without cutting back severely on other essential imports or running down already limited exchange reserves.

The amount of aid extended to all developing countries was approximately twice their estimated oil import bill in 1972. By contrast, in 1974 the oil import bill for all LDCs could approach twice the 1972 aid level. In dollar terms, the 1972 oil import bill for these countries was \$3.7 billion. In 1974 they will have to pay at least \$15 billion. In some individual cases, such as that of India, the added costs will completely offset the flow of development assistance from all quarters. It is, of course, misleading to generalize on the effects of increased oil prices on the seventy odd oil importing LDCs. These effects will vary depending on the nature of their economies and the movement of other import and export prices. Certain major fast-growing exporters may be better able to withstand increased costs. Populous countries of slow export growth, yet with a growing industrial base catering to domestic needs, will be particularly hard hit. The gravest indirect effect of the oil situation is likely to be in the agricultural sector of developing countries. Fertilizers and pesticides which have been so necessary for the success of the "green revolution" are energy intensive products and there is already a growing shortage of fertilizer.

For some time now, fertilizer production has been inadequate to meet demand and new capacity has not been built at a sufficient rate. This shortfall, combined with growing demand for food, means that food grains are almost certain to remain in short supply, and the developing countries will have to spend considerably more for their imports of a number of essential commodities. To cite a few examples: the price of wheat has increased sharply over the past two years from \$86 a metric ton in 1972 to \$210 today — an increase of 146 per cent. Rapeseed went up from \$130 a ton to \$300. Prices of other commodities and products, and of services such as transportation, have shot up as well.

Potash fertilizers have gone up 71 per cent in one year. Prices of lead and zinc have almost doubled in the last 12 months and fabricated steel has risen to \$800 a ton from \$500 a year ago.

The full significance of these price increases is only apparent when actual quantities likely to be shipped are taken into account. A few years ago, for example, we shipped roughly 600,000 tons of wheat to India at a cost of \$40 million. A similar shipment today would cost \$128 million. Looking at our food aid program as a whole, the cost of providing the identical quantity (roughly 750,000 tons) of food that was made available to developing countries two years ago under our program has risen by 123 per cent — from \$81 million in 1972/73 to \$181 million in 1974/75 without taking account of shipping costs which have also risen by over 100 per cent during the same period.

What Canada is doing

Canada is already on record as being against any cutback in aid flows. At the energy conference in Washington in February, my colleagues and I went still further, taking a leading part in getting the conference to endorse a statement in the official communiqué that a strenuous effort must be made "to maintain and enlarge the flow of development aid bilaterally and through multilateral institutions, on the basis of international solidarity embracing all countries, with appropriate resources".

Here in Canada the Government is exploring several approaches:

(1) The use of our membership in the various multilateral institutions including the regional development banks to encourage and support a reassessment of lending programs, enabling a redirection of resources to those developing countries that are most severely affected by the increases in oil prices.

(2) We have requested legislative authority for Canada's contribution to the fourth replenishment of the funds of the International Development Association (IDA). This is the arm of the World Bank on which the very poorest countries depend for development assistance. It provides loans on the most concessional terms, usually at zero interest.

Diplomatic relations with the Republic of Malawi

The Secretary of State for External Affairs, Mitchell Sharp, announced recently that Canada and the Republic of Malawi had decided to establish diplomatic relations at the High Commissioner level.

Mr. A.F. Broadbridge, Canadian High Commissioner to Zambia, has been appointed non-resident Canadian High Commissioner to the Republic of Malawi and Mr. Mbayi, Malawi Permanent Representative to the United Nations and Malawi Ambassador to the United States, has been appointed non-resident Malawi High Commissioner to Canada.

Toward self-government for Yukon and Northwest Territories

Self-government for the Yukon and Northwest Territories moved a step closer when the Minister of Indian and Northern Affairs, Jean Chrétien, tabled amendments to the Acts governing the territories recently in Parliament.

The main changes in the Yukon Act will be an increase in the number of councillors from seven to 12 and the introduction of a formula under which further increases in councillors would be tied to fluctuations in the population of the territory. Under this formula, two councillors would be added for each 5,000 increase in population up to a maximum of 20. This formula could also respond to any similar decreases in population although the minimum number of councillors would be fixed at 12.

Northwest Territories

In the N.W.T., the size of council will be increased from 14 to 15 although, at this time, it is not proposed that a formula be introduced to provide for future adjustments. All 15 councillors will be elected, which would discontinue the present practice of appointing members to council. At the moment, four appointed members including the deputy commissioner serve on council. For the first time, council will be authorized to select a speaker from among its members. He would preside over council in session, a task which

is now performed by the Commissioner of the N.W.T.

"These are important steps along the road to greater responsibility for both councils," Mr. Chrétien noted, "and it is my hope that the proposed amendments will be dealt by Parliament in time for them to apply in the next territorial elections, which are due later this year."

Princess Margaret to attend Winnipeg centennial festivities

Princess Margaret and the Earl of Snowdon will visit Manitoba from May 10 to 12, to take part in the centennial celebrations of the City of Winnipeg.

Lieutenant-Governor W.J. McKeag said that the visitors would also visit Minneapolis-St. Paul in the United States on their way to Winnipeg. They will arrive in the twin cities the evening of May 8, spend the next day participating in a program in these communities, then leave the evening of May 9 for Winnipeg. The visit to the American cities has been arranged as part of the "sister city" arrangement between Minneapolis and Winnipeg which is designed to bring the residents of the two communities closer through promotion of goodwill and understanding.

Second issue of Olympic stamps

Four 8-cent Olympic commemorative stamps, the second issue of the special Olympic series, went on sale on March 22.

A new engraving technique used in this issue to produce a background or hidden image of the Olympic symbol is believed to be the first time the method has been used in the printing of postage stamps. When the stamp is viewed normally, one of the four recreational activities is seen, but at an oblique angle the Montreal Olympics symbol appears.

At the end of December, total gross sales of the first Olympic stamps, issued September 1973, were \$447,111.68. Ontario led the country with \$87,416.42-worth of sales, followed closely by the Olympic host province of Quebec with \$82,551.03. Mail order service grossed \$247,767.99.



Report on the handling of crises

The Prime Minister tabled in the House of Commons last month a report entitled *The Enhancement of Crisis Handling Capability within the Canadian Federal Structure*.

The report is a condensation of the results of a study by a group headed by Lieutenant General M.R. Dare. The study dealt with the state of preparedness for managing crises, with the problems of recognizing and anticipating approaching crises and with physical and procedural arrangements for improved handling of crises.

The Government has accepted the main thrust of the proposals and implementation of specific recommendations is well advanced. Foremost among them is that federal departments and agencies should retain primary responsibility for handling emergencies that come within their areas of responsibility. Some departments such as the Department of National Defence, the Department of Environment and the Ministry of Transport will be expected to assume a major role in managing certain types of emergency and for coordinating action of particular kinds.

In accordance with the recommendations of the report, the Emergency Measures Organization (Canada EMO) has transferred a number of its functions to departments which will carry them on. In its new form Canada EMO will be known as the National Emergency Planning Establishment (NEPE). It will assist and be directed by a small emergency planning secretariat which has been established in the Privy Council Office. The Secretariat will assist an interdepartmental committee in the development of emergency planning policy, with reports on policy to the Cabinet as required.

One recommendation in the report, the establishment of a central government situation centre, has been deferred. Further study will be given to the need for it after experience in operating the new system.

The Government has also differed from the report in deciding to maintain in each province a regional director who will continue to maintain liaison with provincial governments on emergency measures. The report had recommended that there be five regional directors instead.

Ottawa-WFL still in conflict over Toronto entry

The Federal Government continues its efforts to block establishment of a Toronto franchise in the new World Football League (see *Canada Weekly*, dated March 13, P. 5). Two meetings were held in March between Health and Welfare Minister Marc Lalonde and John F. Bassett Jr., owner of the Toronto Northmen — the prospective Toronto entry in the WFL. The result was a stalemate. Mr. Bassett and his associates refused to withdraw their entry. As a result, Mr. Lalonde indicated in press interviews and in the House of Commons that he would recommend to Cabinet a course of action designed to block the WFL's Toronto franchise. There have been suggestions that this would take the form of legislation to bar the Northmen from operating in Toronto. Mr. Bassett Jr., in turn, warned that if such legislation were brought forward, he would fight it in the courts on constitutional grounds.

Mr. Lalonde has maintained that to permit a WFL entry to function in

Toronto would erode the Canadian Football League and hence damage Canadian identity in the sports world and beyond.

Meanwhile, the Toronto Argonauts of the Canadian Football League were sold by John Bassett Sr. to a group headed by William Hodgson of Toronto, president of Skyline Hotels Corporation. The group includes a number of Western Canadian interests linked in Western Realty Projects Ltd, led by Samuel Belzberg of Vancouver. The announced purchase price for the Argos was \$3.3 million. Mr. Bassett put the club up for sale in the wake of pressure from other CFL clubs which had criticized him earlier for alleged conflict of interest. The other clubs felt the Argo owner had failed to exercise his right to prevent the new WFL entry from using the Canadian National Exhibition stadium for its home games and they noted that his son, John F. Bassett Jr., was a key figure in the organization and ownership of the rival Toronto Northmen.

Flexible hours experiment in the Public Service

A three-month experiment with new hours of work began last month for more than 46,000 employees of the Federal Government in the national capital area. The move follows an announcement, in January, by C.M. Drury, President of the Treasury Board, urging departments to spread the arrival and departure times of their employees — particularly in the downtown area — so as to reduce peak-traffic loads on transit systems.

The Treasury Board announced that 37 departments and agencies had implemented new work schedules under which employees will start work between 7 and 9.30 a.m. and finish between 3.30 and 6 p.m. Thirty-one departments have adopted flexible hours (the employee chooses the starting time) and six departments have introduced staggered hours (different branches of the same department start at different times).

Some 43,400 employees are participating in the flexible hours program. Another 2,700 are on staggered hours.

The largest department involved in the new work schedules is the Department of National Defence in which almost 8,200 employees are now on flexible hours.

Almost 30,000 of the 35,000 Federal Government employees working in the downtown core area have switched to new hours of work. Detailed reports from 28 departments with more than 19,000 employees indicate the following distribution of arrival times: 7-7.29, 9 per cent; 7.30-7.59, 24 per cent; 8-8.29, 37 per cent; 8.30-8.59, 22 per cent; and 9-9.30, 8 per cent. (Until now most employees arrived at work in a 30-minute period between 8.15 and 8.45.)

The spread of departure times is subject to minor adjustments since employees can choose a lunch period ranging from 30 to 90 minutes. Most must work at least 7½ hours a day; most departments have adopted a core period between 9.30 a.m. and 3.30 p.m. when all employees must be at work.

New discovery by Imperial Oil

Further potential oil and gas resources of the Arctic offshore was confirmed recently by Northern Affairs Minister Jean Chrétien in commenting on the announcement by Imperial Oil of a discovery of a multi-zone oil and gas well in the Mackenzie River Delta region.

The Imperial Adgo F-28 well is the second exploratory one drilled by Imperial from a man-made island constructed in the shallow waters of the Beaufort Sea. It is a forerunner of more drilling ventures to be conducted, commencing in 1976, from floating vessels in deeper Beaufort Sea waters, following completion of environmental studies.

The Adgo discovery is the most recent of a series of more than 15 separate oil or gas discoveries in the Mackenzie River Delta region and will contribute toward the vast reserves required to justify construction of pipeline transportation facilities. The Minister emphasized that these multiple discoveries resulted from prolonged exploratory efforts made in the region over more than a decade.

Similar long-term efforts will be required to assess the potential of oil and gas of the deeper offshore region.

The Minister believes that the Adgo well, the most seaward discovery of oil and gas to date, gives both the industry and the Government confidence to press forward with these exploration programs required to meet at the appropriate time, the nation's future energy requirement.

Cost-saving caps

Ultra-white caps — for nurses and catering staff — made in Ontario from a special synthetic material that is cleaned simply by wiping off with warm water and soap, are now being marketed in Britain.



Called 'Perma Cap', they were developed in Canada by McCallan and Associated Ltd, North Bay, which claims significant cost savings compared to the use of paper disposable or linen-laundered caps.

The cap is permanently shaped, guaranteed to stay white, needs no laundering or starching and, say McCallan, a single Perma Cap will replace 78 paper caps or six linen caps and laundry costs for 18 months.

There are 400 different styles to choose from or caps can be produced to individual designs if ordered in quantity. Each one is fitted with a self-adhesive washable band with a choice of colours to show rank or position.

Hope of finding 1812 warships

The search sponsored by the Royal Ontario Museum for two United States warships sunk in Lake Ontario during the 1812 War may be close to success. This was revealed recently by Dr. Daniel A. Nelson, director of the search, in a paper presented to the Canadian Hydrographic Conference in Burlington. He reported finding a sunken ship at about 300 feet.

"Evaluation of the side-scan sonar record," he stated, "indicates that the feature is a sunken ship, 15 to 20 metres in length with the exposed portion rising about three metres above the bottom. The vessel appears to be constructed of wood and the presence of a degree of sedimentation leads to the opinion that it is reasonably old."

The measurements correspond substantially to those of the lost warships.

The side-scan sonar records were studied by Dr. P.G. Sly, Head of Lakes Research, Canada Centre for Inland Waters, who concurred in the speculation.

The search for the two ships, begun in 1972, is believed to be one of the most comprehensive and sophisticated archaeological deep-water operation ever attempted.

The basic survey was conducted with magnetometer equipment. Confirmation of magnetic findings was accomplished with side-scan sonar. It is hoped that certain confirmation will be achieved this summer, using closed-circuit TV.

Should the finding prove to be one of the warships, concludes Nelson, the other will undoubtedly be found nearby.

Organization for Economic Co-operation and Development to study Canadian educational policies

A study of Canada's educational policies will be made by the Organization for Economic Co-operation and Development (OECD), Secretary of State for External Affairs, Mitchell Sharp, announced recently. This study, which is part of the regular activities of the OECD and is similar to reviews by the OECD in the United States, France, Japan, Italy, Norway, Sweden and West Germany, will be supported by the Canadian Council of Ministers of Education.

A co-ordinating committee of the

Council of Ministers of Education, composed of one representative each from the Western provinces, Ontario, Quebec and the Atlantic provinces, will direct the study. Two representatives of the Canadian Government will also participate in the committee's activities.

One of the major objects of the review will be to acquaint the OECD member states with Canadian educational developments, while subjecting provincial, regional and national policies to external examination and

criticism. The final report will provide an overview of the status of education in Canada.

The review is also intended to promote internal study and analysis of educational developments and policies regionally, and to identify areas for long-range planning which individual ministries or the Council of Ministers of Education may wish to explore in the interests of provincial and/or inter-provincial planning and co-operation.

The OECD reviews normally comprise three distinct stages. The first

consists of an internal study, the second is carried out by a team of foreign educational experts who will tour Canada, and the final stage is a meeting in Paris during a session of the OECD's Education Committee.

The Canadian review is planned for presentation to the OECD towards the end of 1975.

Théâtre du Rideau Vert 25 years old

The Théâtre du Rideau Vert, a leading Montreal theatre company, celebrated its twenty-fifth anniversary in February.

Although regarded by some as a foolhardy venture when it opened in 1949, it has weathered the years with success and is the oldest company of its kind in Quebec.

Its founder and artistic director, Yvette Brind'Amour, and its administrator, Mercédès Palomino, have aroused public interest in the theatre by offering a varied repertoire. The company has presented Canadian works not only in Canada, but also on tours in France and the U.S.S.R.

To mark its twenty-fifth birthday, *Yerma*, a play by Federico García de Lorca was presented, directed by Olivier Reichenbach, with musical score by Michel Hinton; Monique Miller played the title role, and the principals were Jacques Galipeau, Jacques Thisdale and Janine Sutto.

Export credits insurance limits

New ceilings of \$5.1 billion for long-term loans and guarantees and \$1.5 billion for export credits insurance are proposed in a Bill to Amend the Export Development Act, introduced in

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the House of Commons last month by Alastair Gillespie, Minister of Industry, Trade and Commerce.

The remarkable success of Canadian exporters in winning overseas orders in recent years created the demand for the increased financial limits. This success can, in part, be exemplified by the expansion in the past two years of Export Development Corporation financing by 125 per cent and insurance signings by some 40 per cent.

Current ceilings are \$1.95 billion for loans and guarantees and \$1.0 billion for export credits insurance. Under the new Bill, the \$5.1-billion limit for financing is made up of \$4.25 billion for the Corporation's risk and \$850 million for the Government's risk. The \$1.5-billion ceiling for export insurance is shared at \$750 million each between the Government and the Corporation.

EDC is a Crown Corporation established to facilitate and develop export trade. It provides long-term loans to foreign buyers of Canadian capital equipment and services on terms and conditions that are competitive with those of other major trading countries.

The Corporation also insures Canadian firms against non-payment when Canadian goods and services are sold abroad; it guarantees financial institutions against loss when they are involved in financing an export transaction and insures Canadians against loss of investments abroad by reason of political actions.

Summer language training

A federal-provincial agreement was signed last month to provide second-language training for post-secondary students this summer in a program funded by the Department of the Secretary of State.

The agreement, which will include the participation by 4,400 students at a cost of \$2.8 million, was signed by the Secretary of State, Hugh Faulkner, and Dr. Maurice Richer, Secretary-General of the Secretariat of the Council of Ministers of Education.

In courses lasting about six weeks students will have an opportunity to improve their knowledge of English or French and learn about the culture associated with the language they are studying.

Bursaries are valued at \$610. Room, board and tuition are paid through the funds provided by the Federal Government, but students pay for their own transportation to and from the places of study.

Effects of the energy shortage

(Continued from P. 2)

(3) Bilaterally, Canadian International Development Agency (CIDA) programs will be adapted to the new situation wherever appropriate. Some countries have already stated their most pressing needs and the World Bank has also identified some areas where assistance is urgently needed.

Clearly, CIDA will need not only more money but also a great deal of adroitness in adapting Canada's development assistance to offset some of the adverse effects of recent dislocations, while continuing to maintain the momentum of development in those countries of the Third World with which we have well-established relationships.

* * * *

Weekend hockey results

National Hockey League

Results March 23

Montreal 7, St. Louis 3
Los Angeles 5, Vancouver 0
Atlanta 4, Boston 3
Buffalo 1, NY Islanders 1
Chicago 3, Philadelphia 1
Minnesota 5, Pittsburgh 1
Detroit 5, NY Rangers 3

Results March 24

Boston 6, Montreal 3
Vancouver 3, Toronto 2
NY Islanders 6, Atlanta 4
NY Rangers 5, Buffalo 3
Pittsburgh 8, Detroit 0
Philadelphia 4, St. Louis 1
Los Angeles 7, California 1

World Hockey Association

Results March 23

Cleveland 3, Edmonton 1

Results March 24

Toronto 3, Vancouver 1
Minnesota 5, Houston 3
Los Angeles 6, Winnipeg 3
Quebec 4, New England 3
Chicago 3, Cleveland 3