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The island of Newfoundland virtually spans the mouth of the Gulf of St. Lawrence at the entrance to the inland waterway which extends some 2,000 miles from the Atlantic to the head of the Great Lakes. On the north, the island is separated from the mainland by the Strait of Belle Isle, nine miles wide at its narrowest point. On the south, Cabot Strait is about sixty miles wide at its narrowest point.

Geologically, Newfoundland is an integral part of North America. It consists of the unsubmerged highlands of a now foundered extension of the Appalachian mountain system; the lowlands form part of the "banks" of the North Atlantic which lie off Newfoundland. The general topography of the island is rough and broken. Fertile soil is limited, and the forested area, though extensive, in general bears only small trees. The coast is heavily indented with large bays and fiords.

The area of the island is about 42,000 square miles; larger than Ireland, and about 84% of the combined area of Canada's three Maritime provinces. The sovereignty of Newfoundland also extends to some 110,000 square miles of Labrador on the mainland.

In 1945 the population, which has been increasing relatively quickly, was about 320,000 (including 5,500 in Labrador). Close to 90% of Newfoundland's people live on the coast, in some 1,300 communities scattered along the 6,000 miles of shoreline. About 45% of the population are on the Avalon Peninsula in the south-east, with some 60,000 in St. John's, the capital, and its suburbs. The mining community of Bell Island and the pulp and paper communities of Grand Falls and Corner Brook are the only other settlements with a population of more than 5,000.

With little immigration into Newfoundland during the past century, about 98.5% of the population are native-born and possess a distinctive national character. (In Canada, the percentage of native-born is 82.4%). The principal racial groups are English (about 60%), Irish (25%), French and Scottish. The principal religious groups are Roman Catholic (32.5%), Church of England (32%), United Church of Canada (26.3%) and Salvation Army (6.2%).

Historical Survey

Soon after John Cabot's report of the abundant fishery in 1497, European fishermen began making annual voyages to the rich cod-banks off Newfoundland. The island was formally claimed for England by Sir Humphrey Gilbert in 1583, but British sovereignty was not clearly established until the Treaty of Utrecht in 1713, when France renounced her claims in return for exclusive fishing rights on the western and northern coasts.

Settlement was at first discouraged by the prohibition of land ownership and by other restrictive measures: the Newfoundland fishery was regarded as a "nursery for seamen" -- with the annual voyages from England providing ideal training for future naval recruits. Despite official opposition, however, there were more than 10,000 residents on the island by 1785.

The inevitability of permanent settlement was finally recognized. Private ownership of land was legalized after 1811, and the first resident Governor was appointed in 1817. By 1830, the population had risen to between 40,000 and 50,000. A representative assembly was established in 1832, and after prolonged agitation, responsible government was granted in 1855.

Among the key issues faced by the government during the following half-century was the revision of rights previously granted by England to foreign fishermen in Newfoundland territory. Thus, the "French Shore", on the western and northern coast, was considered an impediment to settlement and a source of serious competition to native fishermen in Mediterranean markets (due to the subsidies granted to their industry by the French government). The dispute was finally settled by the Anglo-French Convention of 1904: France gave up her claims in Newfoundland in return for concessions in Africa.

The rights of United States fishermen in Newfoundland waters posed a similar problem. The situation was clarified in 1910 by the Hague Tribunal, which defined the American fishing rights and ruled that the government of Newfoundland had rights of reasonable regulation.

### The Confederation Issue

Two delegates from Newfoundland took an active part in the second pre-confederation conference at Quebec in 1864, and terms for the entry of Newfoundland into the proposed union were drafted. The government at St. John's, however, took no immediate decision and Newfoundland (like Prince Edward Island) was not represented at Westminster in 1866 when the British North America Act, creating the Dominion of Canada, was drawn up.

The B.N.A. Act provided for the admission of Newfoundland, should it later decide to enter the Canadian federation. When the issue was put to vote in Newfoundland in 1869, the pro-Confederation government was overwhelmingly defeated.

The Confederation issue was revived in 1894, following a serious financial crisis in Newfoundland. The failure of the two commercial banks, one of which was the government's financial agent, contributed to the jeopardy of the public credit, which had been greatly extended for purposes of railway development. Also, St. John's had not yet recovered from the effects of a disastrous fire two years earlier. Faced with the danger of possible default on its financial obligations, the government of Newfoundland sent a delegation to Ottawa in 1895 to investigate the possibility of confederation.

The conference soon broke down, however, over the question of financial terms. Although concessions were made by both sides, and despite an appeal to the British government to take over a portion of the Newfoundland debt in order to bridge the gap, no final agreement could be reached. The Canadian government felt unable to go much beyond the terms on which existing provinces had entered federation, lest they in turn demand upward revision of their terms to correspond with those granted to Newfoundland. The Newfoundland government, on the other hand, concluded that the terms offered by Canada were insufficient for Newfoundland to carry on as a province.

The failure to reach agreement created much bitterness in Newfoundland, where Canada's opposition to the proposed Blaine-Bond Convention of 1891 (which would have permitted Newfoundland fish to enter the United States free of duty), had not yet been forgotten. The financial crisis was finally averted through the successful placement of a long-term loan in London by

Sir Robert Bond, Newfoundland's Colonial Secretary (who had earlier saved the Savings Bank by pledging his personal credit for a temporary loan of \$150,000). Rising world prices and the effects of railway construction produced a gradual revival of prosperity in Newfoundland.

### The First World War

Newfoundland's economic fortunes had greatly improved by 1914. With increasing development of forest and mineral resources, and with growing outlets for fish products the total value of exports had nearly tripled since 1894. War brought increasing prosperity, due to a rapid rise in the price of fish, and freedom from competition in the Mediterranean markets. Filled with confidence, the people of Newfoundland gave unstinting aid to England: about 8,500 were enlisted (of whom some 2,900 were casualties, including nearly 1,500 dead) and the Newfoundland government undertook financial responsibility for Newfoundland's troops overseas.

The total military costs during the war were about \$13 million, of which \$10 million was added to the public debt. The provision of pensions was a continuing burden: by 1940, the total war cost, excluding interest on war debt, exceeded \$27 million -- equal to about one-third of Newfoundland's total debt.

### Boom and Collapse

In the decade following the war, when the value of Newfoundland's exports was more than doubled (from \$19.1 million in 1922 to over \$39 million in 1930), the government, reflecting the prevailing economic confidence and finding it easy to raise funds in the money markets of London and New York, greatly increased its financial obligations. The railway, taken over by the government in 1923, cost an average of \$1 million annually. A highway development program was financed by further government borrowing. During the period 1920-30, the average budget deficit on current account was \$2 million. By 1932, 56% of the average annual revenue was required for interest payments.

With all its major industries dependent upon foreign markets, and with credit resources exhausted, Newfoundland was exceptionally hard hit by the world depression after 1929. The value of exports fell sharply, and by the winter of 1932-33, one-quarter of the population was on relief. Government revenue, derived largely from customs and excise, fell off rapidly with the decline of domestic purchasing power. By 1933, the deficit on current account was nearly \$3.5 million. Faced with imminent default, the government requested that a Royal Commission be appointed to investigate the situation and to recommend a course of action.

Two principal recommendations were made by the Amulree Commission: first, that the United Kingdom assume financial responsibility for Newfoundland until it might again become self-supporting; second, that powers of government be vested in the Governor and a commission of six -- three from Newfoundland and three from the U.K. -- appointed by the Dominions Office. Newfoundland's government and legislature, as well as the Parliament of the United Kingdom, approved the findings; the Newfoundland constitution was accordingly suspended, and the Commission of Government took office in 1934.

### The Second World War and After

Upon the outbreak of war in 1939, Newfoundland, because of its highly strategic position on the sea and airplanes from North America to Great Britain, became a key point in the continental defence system.

From the beginning of hostilities, the island's air facilities were made available to the Royal Canadian Air Force. Following the military collapse in western Europe, Canadian troops were despatched to Newfoundland, with the full approval of its government, in June, 1940, to garrison strategic points.

After the establishment of the Permanent Joint Board on Defence in 1940, both Canada and the United States constructed extensive bases in Newfoundland and Labrador. Canada built an air base at Goose Bay in Labrador (leased to Canada for 99 years in an agreement between the two governments in 1944) and another air base at Torbay, near St. John's. By agreement with Newfoundland, Canada assumed control of the bases at Gander and Botwood for the duration of the war, and made large extensions to both. Canada also constructed a large naval escort base at St. John's for the British Admiralty; the base was under control of the Royal Canadian Navy throughout the war.

The United Kingdom granted the United States 99-year leases to three bases in Newfoundland (an army garrison base near St. John's, a naval and air base at Argentia, on the west of the Avalon Peninsula, and an air base at Stephenville, on the west coast). This was not, as is sometimes stated, a portion of the "destroyers-for-base" deal. Both Canada and the United States maintained coast artillery and other defence units at strategic points in Newfoundland. The total cost of Canadian and United States bases in Newfoundland was of the order of \$300 to \$400 million.

Newfoundland was probably the most heavily defended area of North America during the war. The air bases at Goose Bay and Gander played an important part in the ferrying of combat aircraft to Britain. The naval bases at St. John's and Argentia, and the air bases at Torbay and Gander were of the first importance in the Battle of the Atlantic.

The people of Newfoundland, as in 1914-18, made significant contributions to the common effort: some 10,000 went overseas, to the United Kingdom forces and in a Forestry Unit, and about 1,500 men and 525 women served in the Canadian forces; there was a heavy loss in Newfoundland shipping, and over \$12 million were loaned to the United Kingdom, interest free.

After the outbreak of war, a measure of prosperity returned to Newfoundland. In the years after 1934, despite the slow recovery of export returns and the annual saving of some \$2 million through the re-financing of the funded debt by the Commission, there was a continued annual deficit on current account: the total deficit for the six years to 1940 was about \$18 million -- met in the main by U.K. grants of \$11.3 million, by British government loans of \$4.5 million and by an internal loan of \$1.5 million. The great bulk of these loans was subsequently converted into free grants.

Under the stimulus of wartime developments (principally the large defence expenditure in Newfoundland by Canada and the United States, and later, the increased prices of fishery exports), there was a rapid rise in national income and government revenue after 1940. In 1941, for the first time since 1919, Newfoundland enjoyed a budget surplus, and continued to do so to the year commencing April 1, 1947. A cumulative surplus of approximately \$30 million, including \$12.3 million loaned to the United Kingdom, was available at March 31, 1948. As of the same date (March 31, 1948), the public debt, less the amount of accumulated sinking funds (\$8,250,000), amounted to \$73,171,000.

#### Recent Political Developments

In December, 1945, the United Kingdom government announced that a National Convention would be elected by the people of Newfoundland and to assist them in coming to a free and informed decision regarding their future form of government.

The Convention was elected in June, 1946, and its 45 members met in September. It devoted itself to a detailed study of the economic and financial situation of Newfoundland and issued reports containing its findings on various aspects of the Newfoundland economy. It also gave consideration to possible future forms of government. In April, 1947, a resolution that the Convention send a delegation to Washington to ascertain the terms upon which federal union with the United States might be effected, was defeated by a large majority.

In May, 1947, a delegation was sent to London to discuss with the United Kingdom Government the financial relationship which might be expected to exist between the United Kingdom and Newfoundland under various possible forms of government. The forms specifically mentioned were Commission of Government as presently constituted, a revised form of the Commission, and Responsible Government. The United Kingdom Government stated that under Commission of Government as presently constituted the fiscal and financial relation would continue as close as at present and the United Kingdom would be responsible for Newfoundland's financial stability; under a revised form of Commission the relation would depend upon the precise form of revision; and under Responsible Government the Newfoundland Government would bear full responsibility for Newfoundland's finances and the United Kingdom would no longer assume the responsibilities undertaken under the Commission of Government.

On February 28, 1947, a resolution was passed to send a delegation to Ottawa "to ascertain from the Government of Canada what fair and equitable basis may exist for federal union of Newfoundland and Canada." The delegation was in Ottawa from the end of June to September, 1947. On October 29, 1947, the Canadian Prime Minister sent the Governor of Newfoundland a statement of terms believed by the Canadian Government to constitute a "fair and equitable basis for union."

After prolonged debate the National Convention recommended to the United Kingdom Government that two choices should be placed on the referendum ballot; the restoration of Responsible Government and continuation of the Commission of Government. A motion to include Confederation on the ballot was defeated by 27 to 16 votes. Following this defeat, protests endorsed by, it is said, about 50,000 voters were placed before the Governor in Commission for transmission to the Secretary of State for Commonwealth Relations. The United Kingdom subsequently decided to place Confederation on the referendum ballot on the ground that it would be unfair to the people of Newfoundland to deprive them of the opportunity of expressing their opinion on the question.

At the first referendum, which was held on June 3, 1948, after wide public discussion of the various alternatives, Responsible Government received about 69,000 votes; Confederation about 63,000; and continuation of Commission of Government for a five-year term about 22,000 votes. In accordance with the referendum conditions previously announced by the Secretary of State for Commonwealth Relations a further vote was required on the two forms receiving the most votes, since no form of government had received an absolute majority.

A second referendum was accordingly held on July 22, and was confined to two choices: Responsible Government as it existed in 1933 prior to the establishment of Commission of Government; Confederation with Canada. The vote in this referendum, as in the first, was unusually large, about 85% of the eligible voters exercising their franchise. The total vote showed a majority of approximately 7,000 in favour of Confederation. Eighteen of the 25 electoral districts, including two on the Avalon Peninsula, showed a clear majority in favour of Confederation.

On July 30, 1948, the Prime Minister of Canada stated in a public announcement that the result of the referendum was "clear and beyond all possibility of misunderstanding", and that the Government, and he believed the people of Canada, welcomed the result. He said further: "The Government will also be glad to receive with the least possible delay authorized representatives of Newfoundland to negotiate the terms of union on the basis of my letter of October 29, 1947, to the Governor of Newfoundland and the document transmitted with it. In these negotiations any special problems which may arise in connection with the entry of Newfoundland into Confederation will, I am sure, receive most careful consideration. Before final action is taken, the Government will recommend the resulting agreement to Parliament."

On August 5, 1948, the Governor of Newfoundland informed the Canadian Government that a delegation of seven members had been appointed to meet the Canadian Government in the forthcoming negotiations.

The delegation from Newfoundland arrived in Ottawa on October 6, 1948. It consisted of Mr. A.J. Walsh, K.C., Chairman; Mr. F.G. Bradley, K.C.; Mr. Chesley A. Crosbie; Mr. Phillip Gruchy, C.B.E.; Mr. J.B. McEvoy, K.C.; Mr. J.R. Smallwood; and Mr. Gordon A. Winter. Of these Mr. Bradley and Mr. Smallwood had been members with the Delegation sent from the National Convention in 1947.

Negotiations were begun with a Committee of the Cabinet consisting of the following: the acting Prime Minister, Mr. St. Laurent; the Minister of Trade and Commerce, Mr. Howe; the Minister of National Defence, Mr. Claxton; the Minister of Finance, Mr. Abbott; the Minister of National Revenue, Dr. McCann; the Minister of Veterans' Affairs, Mr. Gregg; the Minister of Fisheries, Mr. Mayhew; and the Secretary of State for External Affairs, Mr. Pearson.

Throughout the negotiations the most difficult aspects of the problem were financial. Newfoundland could not be expected to enter Confederation unless there were reasonable assurances that it could carry on financially as a province. On the other hand it was desirable that financial arrangements for Newfoundland should fit, as nearly as possible, into the prevailing system of financial relations between the Federal Government and the provinces.

The Terms of Union<sup>(1)</sup> were signed in the Senate Chamber, Ottawa, on December 11, 1948. Those signing on behalf of Canada were the Prime Minister, Mr. St. Laurent and the Acting Secretary of State for External Affairs, Mr. Claxton. All members of the Newfoundland delegation listed above signed the Terms of Union, with the exception of Mr. Crosbie who had announced that he felt the financial arrangements were unsatisfactory.

Term 50 of the Terms of Union provided that, subject to their being approved by the Parliament of Canada and the Government of Newfoundland, they should come into force at midnight on March 31, 1949, "if His Majesty has theretofore given His Assent to an Act of the Parliament of the United Kingdom of Great Britain and Northern Ireland confirming the same."

Accordingly, a Bill was laid before the Parliament of Canada on February 7. Having passed through the House of Commons and the Senate, the Bill received the Assent of the Governor-General on February 18, and Parliament proceeded next to send an Address to the King dated February 22 praying that a Bill be laid before the Parliament at Westminster in order to confirm the Terms of Union. The Address was transmitted to the King by the Governor-General and on February 22 a Bill to confirm and give effect to the Terms of Union was read in the British House of Commons.

This Bill also provided for the repeal of the Newfoundland Act of 1933 (save one section containing a financial guarantee) which had been the legal basis of the Commission of Government since the suspension of Responsible Government in 1934 at the request of Newfoundland. Meanwhile, on February 21, the Commission of Government announced that it had examined the Terms of Union and the accompanying memorandum from the Prime Minister of Canada, and that it approved the Terms.

The Bill before the Parliament at Westminster finally received the Royal Assent on March 23 as the British North America Act, 1949. The requirements of Term 50 having therefore been fulfilled, Newfoundland joined with Canada as the tenth province on March 31, 1949. The historic union was marked by ceremonies both in St. John's and Ottawa on April 1. The new province will be represented by seven members out of a total of 262, in the Canadian House of Commons; and by six senators out of a total of 102, in the Canadian Senate.

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(1) The Terms of Union are contained in the Department's Conference Series 1948, No. 2, Reports and Documents Relating to Negotiations for the Union of Newfoundland and Canada, King's Printer and Controller of Stationery, .25¢.

The accession of Newfoundland brings to fruition the vision of the Fathers of Confederation. It assures to Canada control of its North Atlantic frontier. It enlarges Canada by more than 150,000 square miles and adds to its population some 325,000 hardy seafaring people of kindred stock and similar cultural traditions.

### Economic Survey

The natural resources of Newfoundland are limited, and its population is small. Extensive agricultural development has not been possible due to the generally unfavorable soil and climatic conditions. Newfoundland, twenty times as large as Prince Edward Island, has only one-fifth of the croplands of that small province. Industrialization on a wide scale has also not been possible due to the very restricted nature of the home market. Thus, for the bulk of its food and consumer goods, Newfoundland depends upon imports -- chiefly from Canada and the United States, with Canada at present supplying almost two-thirds of Newfoundland's imports.

Trade between Canada and Newfoundland is facilitated by the fact that there is a common currency and the same banks operate in both countries. The Canadian dollar has been the accepted currency in Newfoundland since 1894. The transportation systems of the two countries are also closely linked. Total trade between Canada and Newfoundland has increased substantially in recent years -- from \$11,650,860 in 1938-39 to \$66,112,210 in 1946-47.

Canadian exports to Newfoundland in 1945 were valued at more than \$40 million, making it Canada's seventh largest export market. During the war, the range of Newfoundland's imports from Canada was greatly expanded: in addition to food and feedstuffs, fuel and oil products, Canada now supplies a variety of manufactures, including apparel and textile lines, building materials, electrical appliances and chemicals. Although the third market normally for Newfoundland exports, Canada enjoys a very favorable trade balance with Newfoundland, because Newfoundland's principal exports are mainly competitive with those of Canada.

The economy of Newfoundland rests primarily upon three industries -- fishing, pulp and paper, and mining -- which are based upon its main resources. It is a commercial economy: the production of its basic industries, which is far in excess of domestic requirements, is geared to demand in export markets. The volume of Newfoundland's exports is indicated in the following table, which gives the approximate values:

	<u>1930</u>	<u>1933</u>	<u>1945</u>
Sea Products	\$15,000,000	\$ 7,000,000	\$22,000,000
Forest Products	17,000,000	12,000,000	16,000,000
Mining Products	6,000,000	3,000,000	7,000,000
All others	1,000,000	500,000	1,000,000
Total exports	<u>\$39,000,000</u>	<u>\$22,500,000</u>	<u>\$46,000,000</u>

More recent figures for calendar years are not available (Newfoundland trade figures are computed by fiscal year). There has been, however, a very considerable increase in exports, particularly newsprint. Total exports for the fiscal year 1946-47 were valued at \$69,000,000, broken down as follows: Sea Products, \$31,000,000; Forest Products, \$22,000,000; Mining Products, \$14,000,000; All others, \$2,000,000.

One of Newfoundland's main trading difficulties is that its principal exports, dried cod, newsprint and iron ore, must be sold at a competitive price in a world market, whereas the bulk of its imports are from the protected markets of Canada and the United States, and are thus less subject to violent price fluctuations. This situation was aggravated during the 1930's by the breakdown of international exchange. In the decade before the war, Newfoundland sold about two-thirds of its exports in countries

other than the United States and Canada, and mainly in the sterling area. On the other hand, about 70% (about 90% in 1945-46) of her imports came from Canada and the United States. The difficulty of many of Newfoundland's overseas customers in finding dollars to pay for imports from Newfoundland, has on occasion adversely affected the demand, and hence, price, of its products.

### The Fishing Industry

The proximity to the abundant fishery of the North Atlantic is the dominant factor in Newfoundland's economic life. Until little more than fifty years ago, the island's economy was based exclusively upon the fishery. Since then, following the construction of a railway and the opening up of timber and mineral resources, considerable economic diversification has taken place: by 1939, the fishing industry accounted for only one-quarter of total export returns, though in 1945, it was again in first place in exports -- accounting for about 48% of their value. The fishing industry retains its key position in the economy, with at least one-half of the population directly dependent upon it for a livelihood.

The cod fishery is of greatest importance; the historic markets for its main product, dried salt cod, have been the Mediterranean countries, including Spain and Portugal, and Brazil. The demand for dried cod declined during the period between the two wars, due largely to the marketing difficulties in the principal consuming areas, and partly, to the development of other cheap protein foods. The Newfoundland industry had also to meet increasingly strong competition from Iceland and Norway, whose fishing industries are more concentrated and therefore more easily adapted to modern techniques. In consequence, the Newfoundland product has entered into competition with the Canadian in the West Indian market.

There has been a growing emphasis in Newfoundland on the marketing of frozen fish, especially since 1939. During 1946, over 16% of total fish exports came from the expanded cold storage industry producing fillets. Although the United Kingdom was an important market for the new product during the war, the revival of the British fishing industry, and exchange difficulties, have virtually ended sales there; the United States is at present the most important market for this branch of the fishing industry.

Other branches of the Newfoundland fishing industry are the herring, salmon, lobster, halibut, seal and whale fisheries. Fish meals and oils are important fishery by-products, and there is a growing canning industry.

The fishing industry declined seriously during the depression years. The Newfoundland Fisheries Board, set up in 1936 by the government, was given wide powers to enforce processing standards, to regulate shipments and to centralize marketing in order to assist the recovery of the industry. Under the Board's direction, there has been considerable improvement in processing methods and marketing. Group marketing has tended to reduce excessive competition, and to spread returns more evenly throughout the industry. Group marketing led to the establishment in 1947 of the Newfoundland Associated Fish Exporters Limited (NAFEL), which is now the sole selling agency for Newfoundland salt cod.

The wartime expansion of the frozen fish and herring trade has reduced the fishing industry's traditional dependence upon a single product, salt cod. The future of the industry, however, with the ending of war-inflated demands and prices, will as ever be determined by the availability of markets and by Newfoundland's ability to keep pace with its competitors in price and quality.



## The Pulp and Paper Industry

Pulp and paper is Newfoundland's most important forest industry. Most of the available timber resources of the island (some 11,000 square miles out of an estimated total 15,000) are held by two companies which operate large mills -- one at Corner Brook, on the west coast, and one at Grand Falls, about twenty-two miles from the port of Botwood on the east coast. The remainder of the forest area is largely taken up by small operators of more than 800 saw mills, chiefly for local use and by the government-held three-mile coastal strip reserved for the inhabitants.

The exports of pulp and paper accounted, in the decade before the war, for about one-half of Newfoundland's total export income, with the U.K. as the main market. During the war, the market in the U.S. was expanded, and new markets opened in Latin America and Australia. The competitive position of this industry in Newfoundland is good: it is situated close to water transportation and has an ample supply of timber. Even during the depression, the pulp and paper industry was able to maintain its production, and has since increased its output substantially. It employs some 10,000 in Newfoundland.

The development of thriving new communities connected with the pulp and paper industry has been an important factor in stimulating local manufacturing, agriculture and service industries. The standard of living achieved in these communities is considerably higher than the general average in Newfoundland, which has in the past been adversely affected by the relative instability of the markets for its other basic industries, fishing and mining.

## The Mining Industry

Newfoundland has considerable mineral resources, but few of them have to this date proved of commercial value. Mining is nevertheless one of its major industries and provides a significant share of its total exports. The centres of the industry are at Bell Island, on the east coast, and at Buchans, in the interior.

At the Bell Island mines are worked one of the world's largest deposits of red hematite iron ore, of good quality, but relatively costly as a source of high-grade steel, due to its phosphorus content. There is no local processing or smelting, and the principal markets have been the steel industry at Sydney, Nova Scotia and, save for wartime interruptions, Germany. Since the war, substantial quantities have been marketed in the United Kingdom -- where long-term prospects for Newfoundland iron remain uncertain, due to exchange difficulties.

The led-zinc-copper deposits of the Buchans area have contributed to Newfoundland's mineral exports since the opening of the mines in 1927. The ore body now being worked is limited, and failing future discoveries, may be exhausted during the next decade.

Fluorspar and limestone, used by the aluminum and steel industries in Canada and the United States, are produced by smaller mining developments. With the exception of limestone, all mineral output in Newfoundland is exported.

Much of Newfoundland has yet to be thoroughly explored for mineral deposits, and the future may disclose further important mineral wealth.

## Economic Prospects

The high wartime levels of income in Newfoundland have continued into the initial post-war period, due principally to the sustained demand abroad for the basic exports of the fishery, forests and mines. At the same time, however, the increased price of imports has contributed to a steep rise in the cost of living, and has created a considerable measure of inflationary pressure.

Future prosperity, as ever, will depend upon the level of export demand for the products of Newfoundland's basic industries. During the years 1940-48 greatly increased government revenues (over one-half of which were derived from customs duties) have permitted larger expenditures in the fields of education and social services, particularly in public health. There have also been substantial government expenditures on reconstruction and development schemes: these include extension and improvement of roads, wharves and breakwaters; services to fishermen and loans for the development of the fishing industry; housing, improved tele-communications and transportation, and agricultural assistance to both full and part-time farmers.

Labrador provides an imponderable factor in any consideration of Newfoundland's economic future. Its resources have not yet been thoroughly surveyed, but there are large deposits of high-grade hematite ore in the area bordering on Northern Quebec, huge water-power potentialities nearby at Grand Falls (which is much higher than Niagara), and substantial stands of timber. Commercial development of these within the predictable future now appears likely. The tourist industry, too may have possibilities of development both in Newfoundland and Labrador, especially with the growing use of air transport into their extensive game and fishing areas.

RPA

April 27, 1949.