



Bulletin

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QUESTIONS MILITARY AND ECONOMIC - MR. TRUDEAU REPLIES

During a recent visit to the Pauline Johnson Secondary School in Brantford, Ontario, Prime Minister Trudeau took part in a question period that covered a variety of topics. Excerpts from the session follow:

Q: Mr. Trudeau, this concerns NATO. I was just wondering if we are in or out?

A: Well, we are very much in NATO. We entered it more than 20 years ago, as you know, as an attempt to ensure peace in the North Atlantic area. We have stated this Government's policy several times over the past few years. We published a white paper indicating that, as an alliance for peace, we felt that NATO was extremely important and that we wanted to play our role in it. But what we have done is to decide that we would reduce the Canadian troops in Europe by one half over a period of a few years. The reasons for that were given. I think that they are accepted and understood by our European partners in NATO; they realize that the world is a big place in which to ensure peace, that Canada has engaged its

forces in the four corners of the earth in peace-keeping operations under the direction of the United Nations, that we also have to make some provision for defence of the North American continent, which is very big - we don't want to leave that only to the Americans. And it is important now that Europe, 20 years, almost 30 years after the last war, has become a strong continent rich economically and well developed. It is important that they be able to look after their own defence, rather than Canadians going over to help defend them in great numbers. Therefore, we are in NATO, we have reduced the number of troops in NATO, but we have not had anything like a withdrawal, a total withdrawal of our troops.

Q: Well, if these troops are... these troops in Europe....

A: These troops are part of the alliance, part of the NATO defence commitment, which extends in various parts of Europe and indeed in the Atlantic Ocean. Some of the Canadian Navy is assigned to NATO functions in patrolling the North Atlantic especially. We have made certain decisions as regards our Air Force for instance; we have decided we would phase it out of a nuclear role. Under NATO, some of the aircraft are nuclear-arms carrying, and we decided that we didn't believe in this role for Canada, and therefore we have phased ourselves out of that, but we are still part of the alliance in Europe and in NATO.

CONTENTS

Questions Military and Economic - Mr. Trudeau Replies	1
Canada-Dominica Ham Radio Pact	3
Travelling Conservation Exhibit	3
Hot-Bed Hazard Cooled	4
NRC Scholarships	4
Quebec Publications in the U.S.	4
Wheat Sale to Korea	5
Polymer Prangs Pollution	5
Radio and Census Stamps	5
Record Commodity Loan to India	5

UNPEGGING THE DOLLAR

Q: ...I would like to ask you, what justification did your Government have when it unpegged the dollar, thus destroying the ability of the Canadian manufacturing industry to be competitive in foreign markets?

A: That is a very important question and a difficult one to explain in simple terms, but I will try to answer. The question is: "Why did we unpeg

the dollar, which was worth about 91 cents American, and which now is worth about 99 cents American, meaning that the Canadian dollar is worth about the same as the American dollar. Why did we unpeg it, since it means that when we export goods, they will cost more to other countries and, as you say, cause us to lose markets. The answer has to do with international trade and the whole problem of the value of currencies. The way in which you can decide the value of your dollar, or of your franc or of your pound or of your lire, is determined in the world by the amount of things you sell to other countries and the amount of things you buy from other countries. If you sell to them more than you buy from them, it means that your dollar or your currency will tend to increase in value, because you can't go on forever selling more than you buy, can you? Because they will never be able to pay for what you sell to them. Or conversely, when Canada buys more from other countries than it sells to other countries, it means that: how can we pay for what we buy? You know, we are exchanging goods with other countries in the form of currency and if we buy more from the others, how can we pay it back — with what? With dollars, which are based on gold or on some other standard; but you have to pay for it somehow. If you buy more than you sell, it is like an individual who buys more than he had in his pocket, he goes into debt and the value of himself as an economic unit decreases....

Because we have been, in a sense, selling more and buying less, the currencies of the world adjust so that we can buy a little more by lowering the prices of other countries and sell a little less by increasing our own prices. And this is what happened. The Canadian economy was too strong; we were selling more than we were buying; Canada had succeeded more than its competitors in combating inflation, in keeping its costs under control, and therefore, we were, in a sense, too successful in the world and in order to adjust this, the value of the Canadian dollar was pushed up, it was freed, and right away it floated up to the equivalent of the American dollar. Now, this is an automatic adjustment. As long as you are going to live in a world and trade with it, as Canada does — as you know, we are one of the largest trading nations in the world — we have to make sure that our currency adjusts, to make sure that we can buy and sell to all parts of the world. Now, that is the theory of what happens. It does mean that when the dollar floats up, it will be a little more difficult to sell some of our goods in other countries....

UNEMPLOYMENT AND INFLATION

Q: Mr. Trudeau, we are all aware of your heroic fight against inflation in which you deliberately caused unemployment to fight the battle. But as it

has turned out, you have not beaten inflation, and we are now faced with the two problems, that of unemployment and inflation. Do you have any more good ideas to account for this?

A: Well, before I tell you about my other good ideas, I will have to perhaps slightly correct two facts there. When you say that we set out to deliberately create unemployment, that is not a fact, and when you say we didn't beat inflation, that is not a fact either. Let me start with the easier of the two facts. We brought down the rate of inflation from something in the area of 4 to 5 per cent to something in the area of 1 to 2 per cent. Nobody ever said we would come to zero inflation. The important thing is that we have done better in our fight against inflation than any other industrial country in the world and this, incidentally, is the explanation to the previous question. It is because we have done better in our fight against inflation than any other country in the world, that the Canadian dollar is so strong, that our economy is attracting currency and investments from other parts of the world. Therefore that part of the idea was a good one, in the sense that housewives now and businessmen who want to borrow and people who want to build houses, no longer have to borrow money at 12 or 14 per cent but can borrow it at 8 or 10 per cent, or 6 or 8 per cent, depending on the kind of risk they have. Indeed Government treasury bills have fallen down to 3 and something per cent rate of interest. So, as I say, this is better than any other industrialized country in the world. It means that the businessman who wants to invest can borrow money at a much cheaper rate of interest and therefore he can create industries which will create jobs, and the workers who want to buy their houses can now borrow at reasonable rates rather than the very high previous rate. So, in a sense, the fight against inflation was successful.

But, you are right. As a result of this fight against inflation, the economy was slowed down and the rate of unemployment did go up. Now, how did this happen and why? Well, when inflation overtakes us, as it had a couple of years ago, it really means that the prices of goods are rising so fast that the housewife has to continue paying more and more money to buy whatever she is buying at the supermarket or at the corner store and therefore, in order to get more money, her husband has to earn more and therefore he has to, either as a professional man or as a merchant or as a member of a trade union or as a worker, he has to get more and more money from his boss or from the customer, in order that he may give more to his wife so that she can spend more, and so on. And this is inflation. When prices and costs go up very fast, and therefore the rate of interest goes up very fast, the value of the Canadian dollar, the value of our economy is slowly

CANADA-DOMINICA HAM RADIO PACT

The Governments of Canada and the Dominican Republic recently concluded an agreement, subject to certain conditions, to permit amateur radio-stations in the two countries to exchange messages or other communications from or to third parties. These conditions are that the amateur stations should be paid no direct or indirect compensation and that messages should be of a technical or personal nature, where recourse to public telecommunications services would not be justified. One effect of the agreement will be to facilitate the sending of personal communications to Canada by Canadians resident in the Dominican Republic, possibly in remote areas, who are not themselves operators of amateur radio stations.

Canadian radio amateurs are at present authorized to communicate with their counterparts throughout the world in compliance with the International Radio Regulations of the International Telecommunications Union and with the Radio Act and Regulations of Canada, provided communications are made in

plain language and limited to messages of a technical or personal nature. Radio amateurs are generally not permitted to use their stations for communications on behalf of third parties. However, the International Radio Regulations recognize that countries may conclude special agreements to permit amateurs of the countries concerned to exchange such communications.

The agreement between Canada and the Dominican Republic was concluded in Santo Domingo on March 31 by an exchange of notes between Dr. Jaime Manuel Fernandez, Secretary of State for Foreign Affairs of the Dominican Republic, and the Canadian Ambassador to the Dominican Republic Mr. D.S. McPhail. This is the eleventh agreement of its kind to which Canada is signatory, the others having been concluded with the United States, Venezuela, Costa Rica, Honduras, Mexico, Chile, El Salvador, Bolivia, Peru and Israel. The Canadian Government is at present negotiating similar agreements with a number of other countries.

TRAVELLING CONSERVATION EXHIBIT

Each year, as part of its program of publicizing the need for conservation, the Ontario Department of Lands and Forests displays a collection of Canadian wildlife at some 70 fairs and exhibitions throughout the province.

The 3-million-odd persons who visit the display annually are usually fascinated by the mammals, birds and fish on exhibit. Since the average city-dweller (and many rural people too) seldom, if ever, see a timber wolf, a coyote, a black bear or a spotted fawn in its natural surroundings, there is great interest in the animal enclosures, which permit the visitor, through a protective glass pane, to watch a wolf or a fox at dinner. Prominent placards provide descriptions of the habits and habitats of the various animals.

Jim Scott, the exhibition's public relations officer and full-time curator, travels with his charges. Most of the animals have grown up in captivity after being brought to him as orphaned or injured creatures with little chance of survival.

Animals are usually kept at the Department's wildlife compound at Minesing, near Barrie, where they receive expert care. The cages are clean and comfortable, the diet is wholesome, and the company (human) good.

Five employees, attached to the Department's conservation education section, design and build the displays, highlighting lands and forests activities and branch projects. All displays are staffed by officers from the Department's 21 forest districts.



Ontario Department of
Lands and Forests

Jim Scott, curator of the travelling exhibit, takes special care of the baby black bear.

HOT-BED HAZARD COOLED

Consumer and Corporate Affairs Minister, Ron Basford, recently announced that from March 31, 1972, all blankets, sheets and other bedding produced in or imported into Canada will be required to meet certain standards of "flammability" (i.e. fire-safety standards).

Mr. Basford pointed out that the new Hazardous Products Act makes it possible to take effective action when areas of hazard in consumer products are identified. Some types of bedding that do not meet the new standards have been on the market for a number of years, he added.

"For over a year the Standards Branch of my Department has been conducting tests of textile products for flammability," Mr. Basford stated. "This testing identified a clear need for basic safety standards in bedding, particularly as a significant number of house fires are known to start in bedrooms."

HIGHER STANDARD

The standard performance test involves measuring the burning rate of a five-inch strip of the material under specified conditions, the Minister said, and a burning rate of less than four seconds was considered dangerously inflammable where products have raised fibre surfaces. This is a minimum rate that had been set for a number of textile products in Canada and the United States. "However, to provide an extra safety factor in this type of bedding in Canada, the decision has been made to move directly to a seven-second standard," said Mr. Basford.

To allow manufacturers to meet the increased safety standards, time had to be provided for the changeover in the manufacturing process. "I have discussed not only the program but the effective date with the Consumers' Association of Canada and the Retail Council of Canada, and both welcome and concur with the proposed course of action," the Minister said.

"I have impressed on the textile industry the need for speed to correct this situation," he continued, "I have been assured of their full co-operation and am confident that nearly all the bedding in production will be of the new higher standard before the end of this year."

NRC SCHOLARSHIPS

The National Research Council of Canada has awarded 47 new "1967 science scholarships" for 1971-72.

These awards, which are NRC's prestige prizes for graduate students, mark the fiftieth anniversary of the Council's scholarships program and the centennial of Canadian Confederation. First awarded in

1967, they are designed to help outstanding young Canadians to obtain doctorate degrees in science and engineering.

Each winner receives an annual grant of \$5,300 for three years, and the scholarships are renewable for a fourth year if necessary. Academic fees and travel costs are also paid by the Council, and the universities at which recipients will study receive annual grants of up to \$1,500.

NATO FELLOWSHIPS

NRC has also awarded 11 North Atlantic Treaty Organization (NATO) postdoctorate fellowships for 1971-72, with funds provided by the NATO Science Committee.

These awards are designed to stimulate the exchange of young scientists between member countries of NATO. They represent Canada's part in NATO's Science Fellowship program.

Eleven NATO fellowships, with values of \$6,400 and \$7,600, will be held as follows: two each in the United States, Denmark, Belgium, Switzerland and the Netherlands.

QUEBEC PUBLICATIONS IN THE U.S.

Some 400 publications by Quebec authors are now being offered for sale by the international Scholarly Book Services Incorporated of Illinois, United States. Many of these publications have been displayed for some months in the windows of the Rockefeller Center in New York, while 118 books from 16 Quebec publishers were exhibited during the American congress of Social Sciences last November.

As part of a program to promote the sales of Quebec books on the U.S. market, the "Conseil Supérieur du Livre" announced last December the establishment of a third centre for the distribution of French-Canadian books and school manuals written in Quebec. The new centre was established following a professional and commercial agreement between CSL and international Scholarly Book Services, which already represents some 20 French-Canadian publishers in the U.S. Participating publishers are all members of the Canadian Publishers Association and the Quebec School Manual Publishers Society.

With the co-operation of the Cultural Affairs Branch of the federal Department of External Affairs the "Conseil Supérieur du Livre" will take part next June in the international book exhibition for the fourth consecutive year, at the convention of American librarians in Dallas, Texas. Participants will share a stand sponsored by the federal Department of Industry, Trade and Commerce.

The new distribution centre will also benefit from the help of the Quebec provincial government in a promotion program currently under study.

WHEAT SALE TO KOREA

The sale of some 3.7 million bushels (100,000 metric tons) of wheat to the Democratic People's Republic of Korea was negotiated recently by the Canadian Wheat Board. This is the first direct sale of Canadian wheat to this country.

Delivery of the wheat, consisting of No. 4 Northern, valued at about \$7 million, began last month and will continue until the end of August. All shipments are from ports on the west coast.

The terms of the contract, negotiated with representatives of the Korean Cereals and Foodstuffs Export and Import Corporation, call for the payment of 10 per cent cash when each vessel is loaded, with the balance in six, 12 and 18 months, with interest. All payments are to be made in Canadian funds.

POLYMER PRANGS POLLUTION

Mr. James Richardson, Minister of Supply and Services, recently tabled in the House of Commons the \$50-million capital budget of Polymer Corporation Limited for 1971. Mr. Richardson stated that this sum was considerably larger than last year's figure of \$33 million spent by the Crown Corporation. The current program includes provision for spending on commitments made before December 31, 1970, as well as allowance for continued emphasis on the company's plans for growth and diversification announced early last year.

In Sarnia, Polymer has over \$10 million earmarked for the control of pollution, safety modernization and expansion programs. A marked acceleration in the company's environmental-control program took place in 1967, when air-pollution-abatement was stressed as being the most urgent field for improvement by the company. The most significant single project for the abatement of pollution to take place recently was conversion of the steam and power plant fuel-source from coal supplied by the United States to Canadian natural gas. The result of this conversion, which cost \$1.4 million, was the virtual elimination of sulphur dioxide and trioxide as well as fly ash and other polluting substances released to the air from the plant stacks.

WATER POLLUTION

The emphasis in this continuing program has shifted to water pollution. Included in this year's capital budget, Mr. Richardson said, are facilities for the further reduction of the oil content in the water-discharge from the plant, a sanitary sewage collection system tied in with the city's sanitary sewage lines and further rubber and hydro-carbon removal facilities. In addition, Polymer is participating in a local effort with Imperial Oil, Shell Oil and the Sun Oil Company to establish a contingency plan to deal with major water pollution emergencies.

RADIO AND CENSUS STAMPS

"Speaking to the World", a 15-cent stamp marking the inauguration of powerful new transmitters for Radio Canada International, and "100 Years of Measured Progress", a six-cent stamp commemorating the hundredth anniversary of national census-taking in Canada, will be issued by the Post Office Department on June 1.



The Radio Canada stamp, designed by Burton Kramer of Toronto, measures 40 mm by 24 mm; 10 million are being printed. Hans Kleefeld, also of Toronto, designed the 30-mm-by-24-mm census commemorative issue, of which 25 million are being printed. Both stamps are being produced in three colours by the Canadian Bank Note Company of Ottawa.

Radio Canada International, the shortwave-transmission service of the Canadian Broadcasting Corporation, began operating on February 25, 1945, with the dual purpose of providing Canadian armed forces abroad with news and entertainment from home and projecting news of Canada to listeners in other countries. It also serves to stimulate an interchange of trade and an exchange of programs with other countries. The transmitters, which are situated near Sackville, New Brunswick, are also used to broadcast daily to people in Canada's remote northern regions.



Canada's national census is conducted every ten years by the Dominion Bureau of Statistics. Its original constitutional purpose was, and still is, to provide information on which electoral representation is determined. At an estimated cost of \$35 million, and with the recruitment of some 48,000 temporary workers, the 1971 census will be the biggest peacetime operation of its kind.

RECORD COMMODITY LOAN TO INDIA

A \$40-million commodity loan was signed last month in New Delhi by the President of the Canadian International Development Agency, Mr. P. Gérin-Lajoie, and representatives of the Government of India. Mr. Gérin-Lajoie was visiting Malaysia, Thailand, South Vietnam and India for discussions of development policy with political leaders and senior government officials.

The 1971 agreement shares with the 1969 Indian telecommunications loan agreement the distinction of being the largest such paid in the history of Canada's international development program; it is \$10 million larger than last year's commodity agreement with India.

The money will be used for the purchase of Canadian fertilizers and industrial commodities to help India raise the living standards of its 550 million inhabitants. Among the 14 categories of goods to be supplied from Canada, potash (\$5 million) and other fertilizers (\$8 million) have high priority, reflecting India's growing need for support of the "green revolution" in agricultural production.

Since the introduction of the new "miracle" strains of wheat in 1965, India's total output of food grains has increased from about 89 million metric tons to an estimated 105 million metric tons in 1970. To achieve the full potential of the new seeds, however, very substantial amounts of fertilizer are necessary. Since India has no domestic supplies of potash, it must rely upon the importation of this important plant nutrient and, although it has substantial deposits of nitrogen and phosphate, requirements for these materials will continue to outstrip production capabilities for many years to come.

Copper, aluminum, asbestos, newsprint and wood pulp are among the industrial commodities to be supplied from various regions of Canada during the next 15 months, as well as rubber, zinc, lead, nickel, sulphur and ferro-alloys.

Since the mid-1950s the Canadian development program for India has provided over \$210-million worth of industrial commodities and fertilizers. The 1971 loan, part of this continuing Canadian program of assistance to India, carries no interest charges and has a 50-year repayment schedule including a 10-year grace period.

QUESTIONS MILITARY AND ECONOMIC - MR. TRUDEAU REPLIES

(Continued from P. 2)

destroyed, because when prices and everything go up that fast, we become less efficient and - getting back to the previous question - our goods, our wheat, our export products, our frigidaires, our automobiles, our clothing, our forest products, all these are sold at too high prices on the world markets, and therefore people stop buying them

because they can get their wheat or their pulp and paper or their frigidaires cheaper from some other country and, therefore, our industries go out of business and our workers go out of jobs, and unemployment is very high indeed.... Therefore, you have to fight inflation, because if you don't fight inflation then you will all be out of jobs. Therefore, when you fight inflation, you have to prevent this wild race of prices and costs upwards.

COOL IT, BUSTER

In order to do it, you have a choice. You can either tell people who are making profits and people who are making salaries, to keep them down, to "Cool it, Buster", to say: "Don't ask for such high profits this year and don't ask for such high rents from your tenants, and don't ask for such high prices from your consumers, and don't ask for such high salaries from your bosses, and don't ask for such high wages in your collective agreement." You can do that voluntarily, and that's what the Government tried to do - tell the country to cool it a bit and to cut this inflation which would cost the whole country a vast misery. Now, that can be done either by people accepting to do it voluntarily or by the Government clamping down as it did during the war with rationing and saying: "You will work for this salary and you will work for this salary and you will work for this profit and you will pay the rest in taxes and so on." Now this is a controlled economy as we had during the war, with rationing tickets and everything else. Now, this choice wasn't open to us in peace time, because the people did not want to go into that kind of Government rationing. They didn't even want to accept voluntary restraint. So the Government had no choice. It had to say: "Well, if you people won't cool the economy and exercise some restraint, the Government will." And exercising restraint means taxing more, taking more out of the economy than you are putting back in spending - in other words, taking money from your pocket by way of taxes and holding it in the Government coffers and using it only for certain specific things like lending for housing or developing underdeveloped regions. That's what it means. Since the consumer in Canada and the wage-earner and the profit-earner and the businessmen, if they won't cool it, the Government is forced to cool it, and that is what we did. And that is why we were successful in our fight against inflation. And because we were forced to cool it, we had to cool it in a very very general way, as I say by taking money out of the economy and slowing it down. And when you slow it down, there is more unemployment. And that's the answer....