

eration in the next few weeks I thought you might wish to consider a few of the points at issue, in the light of our own position, and perhaps to advise us of your views.

We have been giving some consideration in our own Department to the problem of Hungarian relief and to our trade relations with Hungary. We have not yet had time to work out a detailed policy on Hungary and the satellites. It may be that we must shortly recognize in current trends in eastern Europe an important opportunity for the west, and that to exploit these concretely western countries may later on have to consider an increase in trade with this region, including Hungary (although in Canada's case, we would not expect much trade to develop with Hungary whatever the circumstances). Meanwhile, and thus far, we have adopted the attitude that there is no political advantage to be gained from dealing with a régime which is not acceptable to the people of Hungary. The limited credit-worthiness of the present Hungarian government has reinforced this attitude.

The French proposals would provide for:

- (a) Free deliveries of coal, wheat, barley, etc.,
- (b) Re-establishment of normal commercial relations with Hungary by NATO Members in so far as the individual interests of each are served by such relations.

If it is likely to become necessary or desirable to modify our stand, it may be wise to explore now the probable alternatives which are before us. We have examined the de Seynes report (together with the request the FAO made of us for feedstuffs in conjunction with this report) in an effort to determine what the effect of a Canadian contribution of relief supplies to Hungary would be, because at this stage we do not think that the conclusion of an agreement to sell wheat on credit would be understood either in Canada or abroad. However, the de Seynes report goes considerably farther than suggesting relief measures alone as aid to Hungary in the coming months. The three fields for activity it sets forth are:

- (a) The resumption of agricultural production to satisfactory levels,
- (b) The encouragement of deliveries of commodities from the farms, and
- (c) The import of foods and other requirements.

In our opinion, category (a) would seem to be an advanced form of rehabilitation which would assist the Kadar régime. Category (b) practically involves political action since it is the communist system to which the farmers are objecting; we see no reason to give the régime support in crushing farm opposition.³⁰ It is only in the third category that we see a possibility for true relief assistance since the commodities requested will to a great extent be used to supply urgent needs mainly in urban centres where critical shortages exist and where external assistance can best be justified on humanitarian grounds.

At the present time, however, we do not have funds available for additional relief. The million dollars voted by Parliament has now been allocated and is being used primarily for aid to refugees. While it is true the Treasury Board directive does not prevent the use in Hungary of the funds given the Red Cross, it is naturally at the discretion of the Society whether or not they wish to do so. You may wish to give some thought therefore to whether we should consider a recommendation for aid of this type both in a positive spirit of responding to the United Nations request and also as a practicable alternative to the sale of wheat on credit. Under present circumstances such assistance might well take the form of a Canadian gift of surplus agricultural products. While we have not explored this possi-

³⁰ Note marginale :/Marginal note:
No [L.B. Pearson]