

in each Commonwealth country for the formulation of policy on the highest levels. At a time when the question of "colonialism"—and especially its exploitation by Communism—is a cause of strife and tension, one of the most hopeful factors is the continuing progress of dependent territories to the goal of self-government within the Commonwealth.

There has also continued to be close co-operation with the United States in international policy, in continental defence preparations, and in the construction of the St. Lawrence waterway and power project. The International Joint Commission has made progress towards the solution of several difficult problems arising from the use of boundary waters. The disposal of agricultural surpluses has been a cause of concern during the year, and every effort has been made to ensure that Canadian interests in this field are not overlooked.

In Europe, an encouraging development was the agreement which has resulted in the restoration of full sovereignty to Austria. In spite of the efforts of the Western powers at the two Geneva Conferences, no progress was made on the question of German re-unification, and the continued division of this country remains one of the most important and potentially dangerous issues between East and West. During the year the Soviet leaders adopted a somewhat more accommodating attitude to the West, particularly at the Geneva meeting of heads of government in July. When it came to discussing practical ways and means of translating this attitude into actions, however, the Soviet Government reverted to a more rigid line, at the same time commencing a new diplomatic and economic offensive against the countries of the Middle East and Southeast Asia. There was little sign at the year's end that the Russians wished to revert to Stalin's violent, blunt, and rigid tactics. There was no sign, however, that their objectives had changed in any way which would justify the lessening of our fears or the relaxation of our defence efforts.

The Middle East has continued to be a centre of anxiety as heretofore. During the latter part of the year, friction between Israel and the Arab states increased. In Asia an uneasy *détente* has been preserved, although not without strain. Canada has continued to make an important contribution to the maintenance of peace in this part of the world by its work on the tripartite International Supervisory Commissions in Vietnam, Laos, and Cambodia.

Improved economic conditions in most parts of the world have been a hopeful and stabilizing factor, and while some inflation is evident here and there, continued expansion of trade should ensure further advances in welfare and prosperity. The operation of the Colombo Plan has continued to be an important contribution to economic progress—and political co-operation—in South and Southeast Asia. Canada has accordingly increased its assistance to the Plan's activities.

Our country was visited during the year by the President of Haiti; the Prime Ministers of Australia, Italy, Pakistan, and Thailand; the External Affairs or Foreign Ministers of Australia, New Zealand, the Union of South Africa, the United States, Belgium, Egypt, Israel, Italy, Norway, and Portugal. Other visitors of cabinet rank came from Australia, Cuba, the Dominican Republic, Germany, Japan, the Netherlands, Spain, the United Kingdom, and the United States. The visits of a large number of senior government officials from various countries combined with these to make the year 1955 one of the most active from the stand-