

acceptable agreement has yet been reached. There is a basic concern that the creation might constitute a temptation to many countries to postpone or evade actions that are needed to run their own economies properly.

Because of the general and universal scope of these resolutions, I think that the Canadian delegation was justified in expressing its support in their carriage, but I was disappointed that the economic committee did not discuss in some detail what I consider to be the fundamental economic problem currently facing NATO.

This problem, as I understand it, was very well expressed by C. L. Sulzberger in the *New York Times* international edition on Monday, November 21, 1966, and I quote:

The United States of America, Britain and West Germany are all beset by special economic worries. The United States burden in Vietnam is now reflected in worried stock and capital markets. Britain still lives beyond its modest means and West Germany approaches the brink of inflation.

Therefore the United States of America, although it knows any withdrawal might risk serious political damage, has told the Germans it cannot maintain its forces there at existing levels unless Bonn continues to buy, in American goods and services, the equivalent of what we spend on this NATO army. The British, who operate on a less extensive scale, have said about the same thing. The Germans meanwhile insist they can't afford and don't intend to continue spending in "offset agreements" the entire cost of allied garrisons.

Continuing the quotation:

Economic-military *quid pro quo* seemed to be working all right when everyone except the poor English was prosperous and the other allies were continually prepared to bail Britain out. But economists now worry that prosperity may be slipping behind us. The allies maintaining troops in Germany therefore mutter about troop costs, and Germany begins to mutter about not needing to spend so much on weapons and services.

Thus, as NATO tries to recover from its troubles with France, it finds itself faced with another problem—how to have both guns and butter when the bank account has been diluted by inflation. The embar-

assed answer is to substitute missiles for guns—because fewer are needed.

Put in the simplest of terms, the truth is that each of the principal NATO partners is suffering from a shortage of money and as a result NATO is changing its defence strategy. Generally speaking, I have the greatest respect for the laws of economics, but in this particular situation it seems to me that it may not be the wisest nor the safest course to have NATO strategy dominated by economic thought or the excuse of economic distress rather than by political or military considerations.

It is of interest to note that most reports indicate, in fact, that while the Russians are cutting down their conventional strength in Europe, they are at the same time increasing their nuclear missile strength. Therefore, both sides are going back to the strategic defence concept of massive retaliation.

On analysis, it seems that the real problem of NATO is a sagging economic situation which has caused a return to the previous strategy of massive retaliation which was given up five years ago because it was too dangerous although it was obviously cheaper. Until we have a much better appreciation of what the Russians are doing, it seems to me that it is foolish to allow these economic considerations to become dominant, and it is my belief that it is much too early in the game to cut down or thin out the NATO European defences. There is simply too much at stake for NATO—or for the United States—to conclude that the present level of NATO forces is not absolutely vital to the peace and prosperity of Europe.

In addition to the foregoing comments concerning economics and the shortage of money and how they are affecting NATO strategy, it also seems clear that there is a definite shift in posture by the United States in its position vis-à-vis West Germany. It is a hard truth, but it is now apparent that the federal republic is no longer the principal military and political partner of the United States in European affairs. That completes my section on Canada and NATO.

I would now turn to my second heading, which is Britain and the European Common Market. Quite apart from NATO's specific problems, there is of course the introduction of Prime Minister Wilson's commitment to bring Britain into the European Economic Community. This newly adopted British position was very much debated and, of course,