

Turning to my first heading, NATO and Canada, I believe that the present NATO dilemma requires that Canada reassess her position as a member of the Alliance, because there is no doubt that the French decision to withdraw from the integrated NATO defence system has brought to a head the whole question of the form and functioning of the Atlantic Alliance. It is now up to Canada, as it is to the other member countries, to make up its mind how it envisages future NATO co-operation.

Honourable senators, what I am concerned about is the possibility that Canada and her NATO allies may be lulling themselves into a sense of false security because of the apparent thaw in the cold war, the emergence of France as a power to be reckoned with, and an economic approach as contrasted to a political and military approach to the problems of the NATO Alliance. This is not to suggest that I believe that there is a short term danger of war in Europe.

What I am suggesting is that it is premature to move away from the maintenance of a first-class common defence system in the peacetime that we presently enjoy. Furthermore, I am suggesting that this common defence system has been the decisive factor in making Europe a relatively stable area. The ability of the leading member of the Alliance, the United States, to retaliate effectively in the case of aggression—and, equally important, the credibility of this deterrent—has given the European countries of the Alliance the security and the confidence necessary for effective policies in relation to the Soviet Union and the other communist-governed countries of Eastern Europe.

In this regard I would like to refer to you some excerpts from the address delivered by the Secretary General of NATO, General Manlio Brosio, at the Paris meeting. He said, in referring to the Soviet threat, that it was “no longer immediately a military one” but that there “remains the threat of an implacable political and diplomatic struggle backed by the presence of a huge and constantly improving military force.” “The doctrine of peaceful co-existence,” says Mr. Brosio, “was formulated not to end the east-west struggle but to shift it to the less dangerous arena of political pressures and diplomatic manoeuvre...” The communists are convinced, Mr. Brosio says, “that if they only wait, economic or Asian preoccupations will force the United States to reduce its interests and influence in Europe, NATO will break up,

and the east will find itself able to deal bilaterally with a fragmented series of small and medium-sized states.”

At the moment, therefore, I believe that NATO is at a policy crossroads. Will it allow itself to fragment into separate units or will it adhere to the policy that has worked so admirably to date? What is Canada's position as it surveys this rapidly changing scene? Surely it is unwise to move too quickly away from a defensive position which should be maintained, I believe, at the same time as discussions on a political level are going forward with eastern Europe and with the countries behind the Iron Curtain.

It was my good fortune to be named coordinator of the Canadian delegation on the economic committee. I believe that economic problems are one of the fundamental causes of the deterioration of the NATO Alliance, so I felt that this forum would be most interesting and productive. In the result, this proved to be only partially the case. The committee restricted itself to somewhat general debate and in the final analysis passed three resolutions of a very wide nature.

The first was a general resolution reaffirming the desirability of European unity and once again reiterating the dual-pillar approach to an Atlantic Alliance. The two pillars envisaged are America and a united Europe. I, of course, was concerned as to the meaning of the so-called “American pillar” and where Canada stood in relation to it. I believe that Canadians will need to think a good deal about exactly where Canada fits in the American plan.

The second was a general resolution supporting the GATT negotiations and expressing the hope that these negotiations will come to a successful conclusion by the spring of 1967.

The third was a general resolution concerning international liquidity and an endorsement of the studies being conducted by the Group of Ten in their efforts to develop a new form of international reserve asset to supplement gold and reserve currencies. In recent years it has been recognized that the growth of reserves in the form of gold and reserve currencies will probably be insufficient to satisfy growing needs. The problem is essentially one of the total quantity available for all countries. This proposed development of a new form of international reserve asset is now generally regarded as a feasible creation, but no mutually