

Provision is also made for a series of diminishing Transitional Grants to give Newfoundland time to develop new revenue-producing services. The transitional grant will be \$3,500,000 for the first three years and will diminish thereafter by \$350,000 annually. These transitional grants will not be included in computing tax agreement payments.

In view of the difficulty of predicting at all accurately how Newfoundland will fare financially under federation, provision is also made for a review of its financial position within a period of eight years by a Royal Commission with a view to recommending what additional financial assistance, if any, Newfoundland will need to enable it to carry its provincial services at then existing levels without resorting to heavier taxation, having regard to capacity to pay, than that of the Maritime provinces.

Representation of Newfoundland in Parliament is covered by existing legislation. The British North America Act of 1915 provides for six members in the Senate. The British North America Act of 1946, which provided for representation in the House of Commons on the basis of population, when applied to Newfoundland, provides for seven members in the House of Commons.

The "Proposed Arrangements" also provide that Newfoundland will be brought within the Maritime region so far as the regulation of freight rates is concerned. It will thus come under the Maritime Freight Rates Act which provides for a 20% reduction in freight rates on goods moving within or out of the Maritime region. Provision is also made for extending unemployment insurance benefits to workers in insurable employment, should they lose their employment within six months before or six months after union. Oleo-margarine may also continue to be manufactured and sold within Newfoundland but not exported to the rest of Canada.

It is anticipated that the "Proposed Arrangements" will be presented to the National Convention in St. John's. The National Convention is entrusted with the responsibility of making recommendations to the United Kingdom Government regarding future forms of Government for Newfoundland, the ultimate decision to be made by the people in a referendum. It will thus remain with the National Convention to decide in the first instance whether confederation on the proposed basis should be put before the people and, if so, for the people to make the ultimate decision. The Prime Minister's covering letter to the Governor states:

"The Government of Canada would not wish in any way to influence the National Convention nor the decision of the people, should they be requested to decide the issue of confederation. Should the people of Newfoundland indicate clearly and beyond all possibility of misunderstanding their will that Newfoundland should become a province

of Canada on the basis of the proposed arrangements, the Canadian Government, subject to the approval of Parliament, would for its part be prepared to take the necessary constitutional steps to make the union effective at the earliest practicable date."

MEMO TO SOVIET EMBASSY

SEQUEL TO EMPLOYEE'S SPEECH: The Acting Under-Secretary of State for External Affairs, Laurent Beaudry, handed to the Charge D'Affaires ad-interim of the Soviet Embassy, M.V. Degtiar, on Thursday, November 6, the following Memorandum:

According to the records of the Department of External Affairs, I.O. Scherbatiuk came to Canada in October, 1946, on Soviet passport No. 24152, and was registered with the Department as an employee of the Soviet Embassy. He had been issued with courtesy visa No. 965 for entry into Canada by the Canadian Embassy in Washington on October 22, 1946. On April 8, 1947, the Soviet Embassy applied to the Department for an identity card for him. This card, No. X186, was sent to the Soviet Embassy on July 31, 1947. Mr. Scherbatiuk is now listed with the Department as residing at 301 Somerset Street, Ottawa.

On July 27, 1947, Mr. Scherbatiuk gave a speech at a meeting of the Association of United Ukrainian Canadians held at St. Vital, Manitoba. This speech was reported in the August 6, 1947, issue of the Ukrainian language newspaper, "Ukrainske Slovo" (Ukrainian Word), in part as follows (translation):

"But there are to be found among the Ukrainians of Canada those who gladly unfold their bosoms to these traitors and bewail their hard fate. They share the hatred of the traitors towards their homeland because they themselves have already turned black from fierce hatred for the Ukraine and her heroic people, who, in fraternity with all the other peoples of the Soviet Union, have created real conditions for an abundant development of the Ukraine, which has been recognized by all the nations of the world as an independent and sovereign state. They believe in all the lies of the displaced persons because they themselves have long ago lost all sense of truth and honour. It can be said of these people that for a long time now they have made a bed of lies. They sleep on lies and cover themselves with lies. We shall leave this unworthy practice upon their conscience, for we know that a family is not without a degenerate. The Ukrainian people do not pay the slightest attention to this twaddle of the nationalists. The Ukrainian people are preoccupied with their own great and noble business - the business of socialist construction, the business of improving the material welfare of the working masses, the business of establishing a lasting peace throughout the world."

Since the Department of External Affairs wished to be certain that this report of Mr. Scherbatiuk's speech was accurate, the Department on August 21, asked the Soviet Embassy to be good enough to supply it with a text of Mr. Scherbatiuk's speech. Two months have elapsed since this request was made and the Department has not yet received a text from the Soviet Embassy. Moreover, the Department is not aware that there has been any official or other denial of the accuracy of the report of the speech in "Ukrainske Slovo."

The Secretary of State for External Affairs made a statement in the House of Commons on March 31, 1947, concerning the rights and duties of diplomatic and consular representatives. This statement reads in part as follows:

"It is clearly the right and duty of a diplomatic or consular representative of a country to use his best efforts to explain the policies and actions of his government and to clear up misunderstandings. Since we expect our representatives abroad to do this for Canada we should be the last to deny the same right and privilege to representatives of foreign governments in Canada. The existence of the right is one thing and the way in which the right is exercised is another thing. A foreign representative is guilty of an impropriety if, in the course of defending the actions and policies of his government, he uses

language which is clearly offensive."

Mr. St. Laurent went on to say that, if a Canadian representative abroad used clearly offensive language in a public statement, the Canadian Government could not object if the government to which he was accredited complained. In fact, the Canadian Government would itself reprimand him for having overstepped diplomatic propriety.

The considerations set forth by Mr. St. Laurent in this statement apply with equal, if not greater, force to persons who, like Mr. Scherbatiuk, are not diplomatic or consular representatives but are employees of a diplomatic mission.

If the report in "Ukrainske Slovo" is substantially accurate, Mr. Scherbatiuk in his speech used language which was not only clearly offensive but which was also calculated to promote ill will and hostility between different groups of people in Canada.

In order to prevent misunderstandings in future, the Canadian Government wishes to state that, should Mr. Scherbatiuk or any other member or employee of any diplomatic or consular mission in Canada use language in future which is similar in effect to that which has been attributed to Mr. Scherbatiuk, the Canadian Government will have no alternative but to request the immediate recall of the officer or employee concerned.