

## APPENDIX B

## REPORTS OF COMMITTEES

Committee I—Defence Co-operation  
and Disarmament

The committee on defence co-operation and disarmament considers that there is need for early progress in the development of a comprehensive and carefully verified system of disarmament. The committee has examined the many political and technical difficulties which must be resolved before any reduction in armaments can be achieved. Pending satisfactory progress in this direction the free world has no alternative but to assume a defence posture capable of meeting Soviet aggression whatever its character and scale. In the view of the committee it is important to recognize that the communist threat is aimed at every single part of the free world and that our continued unity is essential if it is to be countered.

The committee has discussed the collective arrangements for defence in which both countries participate. It considers that NATO and NORAD are among the principal bulwarks upon which rest the security of the United States and Canada, and the other nations of the free world. It is vital that these associations be kept strong and viable in a period when the character of the threat is changing rapidly. With respect to NORAD it considers that the development of alternative weapons systems in no way diminishes its importance. Continuing attention is necessary to ensure its adequacy in order to counter improved enemy weapons capability.

The committee believes that the maintenance of a strong industrial base in Canada is essential to North American defence. The committee notes that since its last meeting there has been real progress in advancing the Canada-United States defence production sharing program. The necessary policies and procedures have been established to provide a more equitable climate of opportunity for Canadian defence industry to participate with the United States in defence development and production. In 1959 these arrangements resulted in United States contracts in Canada of \$96.3 million; in 1960 the figure was \$112.7 million. On the other hand, Canadian production sharing contracts placed in the United States in 1959 amounted to \$108.2 million and in 1960 increased to \$196.3 million. Therefore

it is recognized that there is continuing need to sustain the Canadian portion of the common defence production base through increased U.S. defence procurement in Canada. In this connection the committee observes that the long term prospects for defence production sharing would be greatly enhanced by Canadian participation in the U.S. military research and development program. Some progress has been made in this direction; further efforts in this field should be expanded. The committee agrees that continuing efforts should be made both by government and by industry in the two countries to encourage broader public understanding of the interdependent character of the common defence effort in its economic as well as its military aspects.

Committee II—Trade and Economic  
Matters

## Trading with communist countries

The committee discussed the effects of trade with communist countries. It was pointed out that this trade might strengthen the communist economies and thereby contribute to the expansion of Soviet political influence; on the other hand, trade might keep peaceful channels open between the Soviet bloc and the west. The committee noted that Canada and the United States trade with the Soviet bloc did not loom large in their total foreign trade and that both countries traded with the bloc within the framework agreed between NATO countries. The Canadian delegation referred to the possible problem raised for Canadian subsidiaries of United States companies by the application to their trade of the United States foreign assets control regulations.

## Cuban trade

With respect to trade with Cuba, the United States delegation explained that the concern expressed in the United States was a reflection of the serious view the United States had taken of the threat posed for the western hemisphere by the communist orientation of the Cuban revolution. The relatively minor value and total North American trade with Cuba was considered as well as the declared policy of preventing the bootlegging of United States goods to Cuba.