

An explanatory memorandum had been circulated, (Memorandum, Secretary of State for External Affairs, concurred in by the Minister of National Defence and Trade and Commerce Aug. 10 — Cab. Doc. 290-60).

21. *During the discussion* the following points were issued:

(a) Some said a list of sensitive countries could not long remain secret, and that the proposed list would be likely to provoke a storm of protest. South Africa, a country which at this time paid allegiance to the Crown, should not be placed on the same footing as Ghana, nor in a position inferior to West Germany, a former enemy. Furthermore, the N.A.T.O. countries as a class should not receive better treatment in this regard than the Commonwealth countries as a group.

(b) Others said a sensitive list had been in use for some time and that it had not become public and had caused no real difficulty. The intention was not to disqualify automatically any of the Commonwealth countries, but only to prescribe a different procedure in cases where political sensitivity existed.

(c) An export permit was likely to add greatly to the market value of Canadian surplus military material. This placed a premium upon the possession of advance knowledge on whether material offered for sale by the government to a particular country would qualify for an export permit. Bidders usually submitted low tenders on the assumption that they would not be permitted to export, and successful bidders sometimes made an excessive profit later when a permit was granted. Such a situation also created an opportunity for malfeasance on the part of officials. Some members suggested therefore that the possibility or otherwise of export ought to be announced at the time when Crown Assets Disposal Corporation offered the material for sale rather than later. Other members said that such a procedure would create the erroneous impression that the government of Canada was trying to sponsor the export of military equipment.

22. *The Cabinet,*

(a) noted the recommendations of the Secretary of State for External Affairs and the Ministers of National Defence and Trade and Commerce on the control of export of military equipment; and,

(b) decided that a Committee comprising the Secretary of State for External Affairs and the Ministers of National Defence, Trade and Commerce and Defence Production be authorized to approve or reject applications received from time to time for permits to export military equipment, and determine which cases should be referred to the Cabinet for decision.

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