

Article 76, one of the basic objectives of the trusteeship system is to promote "progressive development towards self-government or independence as may be appropriate to the circumstances of each territory and its peoples."

By Article 77, the trusteeship system clearly applies to such mandated territories as may be placed under that system. A trusteeship agreement is of course called for. Clause 2 of Article 77 recites that "it will be a matter for subsequent agreement as to which territories in the foregoing categories will be brought under the trusteeship system and upon what terms". The terms of the trusteeship agreement could thus appropriately include provisions looking to independence such as are contained in the majority report. However, under Article 79, the terms of the trusteeship agreement have to be agreed upon by the "states directly concerned, including the mandatory power" and approved by the General Assembly, or the Security Council, as the case may be. Thus, while the trusteeship system would provide an appropriate means, juridically, for implementing the majority report, there may be practical difficulties in identifying the "states directly concerned", unless this expression, in the peculiar circumstances of the Palestine issue, is given a limited construction by the Assembly. If a transitional period is unnecessary, the trusteeship system would, moreover, be equally unnecessary, except insofar as it may be utilized for the city of Jerusalem.

USSR SUGGESTION

The delegation of the USSR has suggested that the Security Council could competently carry into effect the recommendations of the majority report. The General Assembly could, we believe, under Articles 10 and 14 of the Charter, recommend this course to the Security Council. The Canadian delegation has given very serious consideration to the proposal that this organ of the United Nations be used to bring about the change in Palestine. At this stage, I think it distinctly arguable that Articles 24, 39, 41 and 42 of the Charter, in their combined effect, authorize the Security Council to take the necessary action, either now, or later if serious difficulties arise. The Security Council, acting on behalf of all the members of the United Nations, has, under Article 24, primary responsibility for the maintenance of international peace and security. Article 39 states that the Security Council shall determine the existence of any threat to the peace. The Council would, it seems to me, be competent to determine that the situation in Palestine in the circumstances resulting from the proposed withdrawal of the mandatory power, constitutes such a threat. Article 39 then states that the Council shall either make recommendations or "decide what measures shall be taken, in accordance with Articles 41 and 42, to maintain or restore international peace." Article 41 deals with measures not involving the use of armed force

-- the Security Council may decide what measures are to be employed to give effect to its decisions, and it may call upon the members of the United Nations to apply them.

It is true that the measures necessary to create new states in a mandated territory from which the mandatory power is withdrawing are not listed in the second sentence of Article 41. Nor indeed was a situation of this character visualized at San Francisco. However, the measures listed in the second sentence are clearly not exhaustive. The sentence begins "These may include". It seems to me that a restrictive meaning ought not to be attached to the first sentence of Article 41. It is, of course, abundantly clear from the Charter that the limitation on the authority of the United Nations in matters "essentially within domestic jurisdiction" is not applicable to measures taken under Chapter VII. Canadian delegations have consistently taken the general position that provisions in the Charter relating to the powers and authorities of the organs of the United Nations ought to be construed broadly, in the manner best calculated to enable the United Nations to discharge most effectively its high responsibilities for the maintenance of peace and security. In our view, therefore, it would clearly be within the competence of the Security Council, under its responsibility in regard to peace and security to take the necessary action.

SOME PRACTICAL DIFFICULTIES

There are, however, some practical difficulties which result from the use of the Security Council at this stage in the solution of this problem. The Security Council could not take effective action unless there were agreement amongst the permanent members that the present situation (as distinguished from any situation which might develop), constitutes an existing "threat to the peace". It would be necessary also that the permanent members agree as to the means for implementation before we make recommendations to the Security Council we should, I think, make quite sure that there was general agreement amongst the permanent members, in principle, and to some extent, also in detail on these two points.

The Canadian delegation had some suggestions of its own which it felt might serve to bridge the gap between other proposals which have been made. We shall be glad to submit these in writing, at the proper time to any working group which is set up. Since any Canadian observations would be partly in answer to questions which have already been posed to another delegation, it might be preferable to reserve them till the answer to these questions has been obtained.

In bringing these considerations to the attention of the sub-committee, the Canadian delegation has no thought of delaying or complicating its work. It seems to us that we must scrutinize carefully any plan we contemplate in order to anticipate the difficulties it may create, and it is to assist in this process

that we have analyzed the various procedures that are open to us. Clearly, we must discuss these questions further before we adopt final positions. In particular, I think, we must develop further and in greater detail the views

we hold of the role the mandatory power shall play until the time of its withdrawal, and of the methods which are to be employed to maintain order in the period immediately following the withdrawal of the mandatory power.

PROPOSED ARRANGEMENTS WITH NEWFOUNDLAND

DETAILS MADE PUBLIC: The Acting Prime Minister released yesterday the text of the "Proposed Arrangements" for the entry of Newfoundland into confederation. These proposals were worked out following the prolonged discussions which took place during the past summer between a Committee of the Cabinet and a delegation from the National Convention of Newfoundland appointed to enquire what fair and equitable basis might exist for the federal union of Newfoundland with Canada.

The main difficulties in working out proposals for union have been financial. Under responsible government Newfoundland had a difficult financial history, which reached a crisis in 1933 under the impact of the world depression. As a result, responsible government was suspended in 1934 and Government entrusted to an appointed Commission of six members, three each from the United Kingdom and Newfoundland. The United Kingdom undertook to guarantee the debt and to meet budget deficits.

During the war, Newfoundland experienced a remarkable economic recovery largely due to the enormous defence expenditures there by the United States and Canada and to the rise in prices for Newfoundland's main staple exports, fish, paper, and iron ore. In consequence, the financial situation has vastly improved. The debt which stood at about \$100,000,000 in 1934, has been reduced to about \$73,000,000 net and a surplus has been piled up of close to \$30,000,000, some of which has been loaned interest free to the United Kingdom. How far this recovery is a temporary condition is difficult to say.

Under union Newfoundland would have to adjust its system of public finance to the status of a province. It would lose its main source of revenue, the customs tariff, which still produces over 50% of its revenue. If a tax agreement, similar to those for other provinces, were entered into, Newfoundland would also forego the right to levy corporation, income and inheritance taxes which now make up close to 30% of the revenue. Unlike existing provinces, Newfoundland has not a well-developed system of municipal and local government to carry part of the burden of taxation by local rates and real estate taxes. It has only a very small mileage of good roads, and can raise little in the way of gasoline taxes, one of the main sources of revenue for existing provinces. It is thus obvious that Newfoundland could not contemplate becoming a province of Canada unless Canada were prepared to consider its special financial needs, particularly

during the early years of union pending the development of new sources of revenue.

TAKE-OVER STERLING DEBT

Under the proposed arrangements, Canada will take over the sterling debt guaranteed by the United Kingdom which amounts to a net of about \$63,000,000. Although this is a much higher per capita debt than that taken over for the original provinces or allowed for the western provinces when they were created, Canada will acquire title to very much more property in the way of public works than in the case of the other provinces. It will take over the Railway and its steamship services, the drydock, Gander airfield, the Newfoundland Hotel if desired by the provincial government, lighthouses, public wharves and other aids to navigation, etc. As the proposals also state, the debt to be taken over represents, in the opinion of the Canadian Government, a fair estimate of the debt incurred for purposes which would have been the responsibility of the federal government had Newfoundland been a province at the time the debt was incurred.

Newfoundland will also retain its accumulated surplus, one-third of which, however, is to be set aside during the first eight years of union to meet possible budget deficits on current account should they arise. The remainder will be available to Newfoundland to use as it sees fit for developmental and other purposes, provided it is not used for subsidizing Newfoundland producers in unfair competition with other Canadian producers.

A second problem was that of assuring Newfoundland of sufficient current revenue to carry on as a province, since under federation only about \$3,000,000 of its present revenues of between \$35,000,000 to \$40,000,000 would remain to the province. Under the "Proposed Arrangements" it will receive in addition to the subsidies provided by the B.N.A. Act of 1907 (\$180,000 for the support of its government and legislature, and 80¢ per head of its population) a special statutory subsidy of \$1,100,000 in lieu of the various fixed annual payments, allowances and awards made to the Maritime provinces from time to time, and in recognition of its special problems as an Island with a sparse and scattered population. These statutory subsidies which aggregate about \$1,542,000, will be included in the computation of a tax agreement if Newfoundland elects to enter such an agreement after union. The irreducible minimum payment under a tax agreement is estimated at about \$6,200,000 and a payment for 1947 at about \$6,800,000.