

*Supply—External Affairs*

Malaysia and India are far away also, but I think these things must be taken into consideration.

Then, there is the question of the extension of credit to the Soviet union and other iron curtain countries. In the last few years Canada has been very fortunate in trading with the Soviet union, red China and with other satellite nations of the Soviet union. This has been a very good thing for Canada. It has greatly helped our economy. There is no question about that. It has done another thing, in that it has done a great deal to break down the barriers which existed between the Soviet bloc and the western group. Trade is a great help in this regard. Certainly when I recall that payments had to be made in fairly short order on the sales to China, the use of this foreign exchange may well have had a practical advantage in addition, inasmuch as China could not then use this foreign exchange for the purchase of war materials or for sending additional propaganda to South America. However, not only Canada but Britain and Germany have followed a course of issuing extensive credit to the Soviet union and related countries.

Recently in Paris I believe the United States suggested that these credits should not be extended past five years. As I understand it, this suggestion was met very coolly. It would not affect Canada anyway, as I understand it—

**Mr. Martin (Essex East):** Do I understand my friend to say that the United States recommended that credits be extended beyond five years?

**Mr. Nesbitt:** No, not more than five years.

**Mr. Martin (Essex East):** In accordance with the Berne convention.

**Mr. Nesbitt:** This suggestion was not too well received by the other countries, chiefly Britain and Germany, whom it would most affect. Now, I just mention this fact in passing. While I have pointed out that the advantages of trading with the communist nations are very great, I feel if there is going to be any extension in the future of credits to these countries, we should very carefully look into the long range results. Are we, in fact, by doing this, cutting down the credit that we could extend to the underdeveloped countries, which perhaps need them more? By extending these extensive credits to the Soviet union and related countries, are we perhaps permitting them to extend credits, a sort of chain reaction so to speak, to certain underdeveloped countries that they wish to penetrate politically? I think this is something that should be looked into carefully. I have no doubt it will be. I just mention it at this time

in passing, because we do not want to be blinded by the very favourable results we have had from the trade up to now. We do not want to find out later, to our horror, that a number of things were happening that we did not realize. An example of this is the sale of scrap metal to Japan in 1938, about which we were very happy; but then later a lot of people had it thrown back at them at Hong Kong.

The last thing I should like to mention this evening is the threat to Canada's seat on the security council at the United Nations. This is a rather complex subject, Mr. Chairman, and I hope the committee will bear with me if I give one or two words of background material, because this is a type of thing that is not readily understood elsewhere than in the United Nations. After 1945, when there were approximately 48 countries in the United Nations, a gentleman's agreement was made concerning the non-permanent seats on the security council. As perhaps most people know, there are 11 seats on this council, five of which are permanent, namely the Soviet union, the United States, Britain, France and China. The other six are the non-permanent seats and members are elected, three at a time, for a two-year term.

Until recently, this so-called gentleman's agreement has been carried out. Under that agreement, the six non-permanent seats were divided as follows: The Latin American group of countries have two of them; the western European bloc—everything works in blocs of countries at the United Nations—one seat; eastern European countries, one seat—those are the Soviet bloc countries—the Middle East, one seat, those were the Arab countries generally, and the commonwealth, one seat. Since 1955 the membership of the United Nations has expanded to 111. As I recall—and that was the first year I was there—the present Secretary of State for External Affairs did a very good job at that time in making a package deal to bring in a number of new countries. After that, with the increase of the new countries in Asia and Africa, pressure became very great on the other countries to provide adequate representation on the security council to the new Afro-Asian countries.

The obvious thing was to expand the membership. However, the Soviet union has made it quite clear within the last week I understand, that it will veto any expansion of the security council until China has been admitted. As a result of the increased voting power of the new Asian and African countries, as I say, something has to give. Apparently what is going to give is the commonwealth seat. The projected arrangement which is being discussed, I understand, at the present