

NATO—European Defence Community

let a potential aggressor know that if he crosses that line there will be trouble—you are at once faced with an argument as to where that line should be and what exactly would be the type of action to be taken if the aggressor did cross the line, in the event that there is agreement on lines all over the world.

My own feeling, Mr. Speaker, is that while there are vital sectors of the front which if they are attacked must be defended, and where the attack must be met at once by collective and armed resistance, we would be getting ourselves into a great deal of trouble if we tried to extend and define those vital sectors, by agreement at this time, all over the world.

In supporting his view the hon. member for Peel suggested that in recent years we were in danger of falling victim to what he called a gigantic bluff on the part of communist imperialists. I think there is some truth in that suggestion, because naturally an aggressor of that kind would try to bluff in order to get his way inasmuch as it is sometimes cheaper to bluff than it is to fight. At the same time it is bluffing for extremely high stakes; and before we organize armed reaction against what we consider to be bluff, we had better be extremely certain that it is bluff; and we had better be certain in our own minds that, if it is not bluff, it is something we should accept as the gauge of battle. These questions are not easy to solve and they are not always easy even to define.

The hon. member for Peel asked me some questions about Germany's financial contribution to defence under the European defence community treaty. He was also preoccupied, as I am sure we all are, with the trade position between East Germany and West Germany. As to the first question, in the agreements we talked about this morning there are clauses which provide that Germany will make its proper contribution, in financial terms, to western defence; and that contribution at present has been established by agreement with the federal republic at 850 million deutsche marks a month—and that is a substantial figure—which will be provided under a formula which for the time being at least has been determined.

Mr. Graydon: What is that amount in dollars?

Mr. Pearson: It would be something between \$2 billion and \$3 billion, I think, for the first year. I am not sure of the exact figure.

Mr. Graydon: That is per year?

Mr. Pearson: That would be at the rate of 850 million deutsche marks per month until

[Mr. Pearson.]

further arrangements have been made for the future. That is to be divided between a contribution for the upkeep of NATO forces on German territory and the building up of German forces for the European defence community.

As to trade questions, since May, 1948, the economic exploitation by the Soviet union of the east zone of Germany has become somewhat less thorough than it was previously, and that area is now developing along the normal lines of a Soviet satellite state. Trade between East Germany and the eastern European countries is increasing. In 1951 some 85 per cent of East Germany's trade was said to be with the Soviet bloc. On May 6 of this year the East and West German authorities signed a new agreement for an exchange of goods to the value of about \$25 million. West Germany was to deliver steel, iron, metal products and chemicals in exchange for agricultural products, timber, fuels and textiles.

On the question of strategic materials—and some of these materials would seem to be quite strategic—there is general agreement among the free countries of the world not to export such materials to the U.S.S.R. and its satellites where these might increase the Soviet war potential. But that understanding in the case of a country like Western Germany must be considered in relation to the essential requirements of trade between the two parts of Germany, if West Germany is to remain stable and prosperous. It should also be considered in relation to the provisions of the United States mutual assistance act against the export of certain commodities to communist countries by countries receiving military, financial or economic aid from the United States.

Mr. Graydon: If I may, I should like to ask the minister a question. I am sorry to interrupt him and I do so only because this subject is extremely interesting. From the standpoint of the free powers and from the point of view of trade and the strategic movement of materials, is the border line between East Germany and West Germany now regarded as the line separating the iron curtain countries from the free powers?

Mr. Pearson: I would think it would probably be reasonable to conclude that this sinister but mythical iron curtain lies along the line between East and West Germany, with an island of freedom and democracy in west Berlin.

The hon. member for Peace River (Mr. Low) in his statement made some references to trade and economic questions. He warned