



CANADA

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## CANADA - U.S. PARLIAMENTARIANS MEET IN WASHINGTON

The following is the text of the press statement issued in Washington on June 9 by the Canada-United States Inter-Parliamentary Group:

"The Canada-U.S.A. Inter-Parliamentary Group concluded two days of discussion in Washington today. Twenty-four members of the Parliament of Canada, representing all political parties, participated in the discussions. This was the fifth meeting of the Group, which held its first and organizational meeting in Washington in January 1959. Since that time, meetings have been held alternately in Canada and U.S.A. The fourth session was held in Ottawa in February of this year.

"Canadian delegates were welcomed at the opening plenary session by Secretary of State Dean Rusk, who underlined the importance of these meetings of legislators of both countries as a valuable means of promoting better understanding and appreciation of their mutual problems. Later in the day Canadian delegates were received by President Kennedy at the White House.

"Committee meetings were held on both days. One committee under the co-chairmanship of Senator Mark Drouin, Speaker of Canadian Senate, and Senator Homer Copenhart and later Senator George Aiken, U.S. Senate, discussed defence and foreign policy matters of mutual interest. The other committee, under the co-chairmanship of Representative Cornelius Gallagher, U.S. House of Representatives, and Roland Michener, Speaker of the Canadian House of Commons, discussed economic questions of concern to both countries.

"At the final plenary session today reports of the two committees were discussed and approved.

"Members of both delegations were scheduled to leave Washington late Friday afternoon for Norfolk, Virginia, where they will be the guests of the Continental Army Command on Saturday and will attend air and ground exercises taking place at Fort Storey and Fort Eustis. The Group is also expected to visit the National Space Agency. On the same day the wives of the delegates will visit Jamestown and Williamsburg. Both delegations will return to their respective capitals on Sunday afternoon.

"Among the principal subjects discussed:

### REPORT OF DEFENSE AND FOREIGN POLICY COMMITTEE

#### 1. *Western Hemisphere Co-operation:*

(a) Canadian participation in the OAS: U.S. members supported President Kennedy's recent suggestion that Canada consider joining the OAS. Canadian members agreed that Canada and the U.S. must stand together in supporting common objectives within the hemisphere, to raise standards of living and help meet the Communist threat. The problem for Canada is to decide whether joining the OAS would be in the best interest of Canada and the Western hemisphere. This question is the subject of lively public discussion in Canada at the present time.

Among the arguments advanced in favour of Canada's association with the OAS were the assistance which Canada might be able to give toward raising living standards in Latin America, and additional weight of Canadian leadership and stability in hemispheric policy discussions, re-



removal of the anomaly of Canadian participation in NATO but not in OAS, and removal of doubt about Canada's support of the principles on which OAS is founded.

Among the arguments mentioned in opposition to Canadian participation in OAS were the limitations on Canada's resources, the risk that Canada's position in OAS would either be labeled as that of a satellite of the U.S. or would be harmful to U.S.A. prestige to the extent that Canada's attitudes diverged from that of the U.S. of significant issues, and finally the loss of Canada's ability to present an uncommitted view on problems arising in the hemisphere.

(b) Cuba: There was complete agreement on the serious threat which Communist influence in Cuba presents to the whole hemisphere. With respect to methods of countering this danger however there were two basically different approaches. Some felt that the situation warranted drastic measures. Others believed the Cuban Revolution was brought about by underlying causes which are to be found in many other areas in Latin America. These unhealthy tendencies must be dealt with on a long-term basis through programmes of economic assistance, information, cultural interchange, and foreign policies in the interest of the freedom and economic opportunity of mankind. The committee agreed that there is need for expressing to the peoples of less-developed countries the social objectives of our society. To compete successfully with the Communists in the emerging countries we must explain our system in terms of social justice as well as personal freedom.

## 2. Strengthening NATO:

There was full agreement of the necessity of strengthening the conventional forces assigned to NATO. It was noted that both Canada and U.S. have met their NATO force goals. Several specific NATO defense problems were discussed: the desirability of having small nuclear weapons for tactical use; the inhibition on the use of major weapons in the absence of adequate conventional forces; the question of control by a multi-national organization over a NATO nuclear strategic force; and the necessity of making the U.S. nuclear retaliatory weapons invulnerable. It was recognized that, if the Soviet Union moved at any time in force to cut off access to West Berlin, NATO would be ready to respond with the necessary force.

## 3. China Policy:

The committee discussed trade with Communist China. The members were agreed that there should be no trade in strategic goods. The Canadian members, however, stated that in Canada there was general support for a policy of trade with China in non-strategic goods on the grounds that to cut off all trade would not weaken the hold of the Chinese Communist Party and that trade helps maintain the strength of the Canadian economy. The view was also expressed that it can assist in some measure to preserve a small reservoir of goodwill in China which could be of long-term benefit to the West. Some U.S. members, while acknowledging that the U.S. does trade in certain

non-strategic commodities with countries of Eastern Europe, were of the view that tradematerially assists the Chinese in reaching their economic objectives, raises moral issues on which the U.S. public feels deeply and strengthens the Chinese position in Asia. The Canadian chairman referred with pleasure to the statement made in the House of Commons the previous day by the Prime Minister regarding the happy solution to the difficulty which has arisen over the supply from U.S. sources of grain unloading equipment and the committee agreed that this was a good example of continuing co-operation between the two countries in all fields.

The committees also discussed the closely related questions of diplomatic recognition of Communist China and its representation in the United Nations. While neither Canada nor the U.S. have recognized the people's Republic of China, it was generally agreed that the issue of representation in the United Nations would soon confront the two nations and that at the forthcoming meeting of the General Assembly there would likely be increased support for seating representatives of Communist China. The 'two China' concept was considered as a possible solution for the representation of China. It was pointed out that the admission of a Chinese Communist delegate to the United Nations would be interpreted in many places in the U.S. as an act of appeasement and might lead to strong demands that the U.S. leave the United Nations. The Canadian members pointed out that Canadian public opinion is divided on the issue.

## 4. Disarmament:

The committees agreed that disarmament negotiations must be continued despite the difficulties and lack of concrete progress so far. Recognizing the growing military potential of Communist China, probably independent of Russia, it was suggested that at some future time provision might be made for Communist China to participate in realistic disarmament discussions. Confirming the continuing need to seek agreement on banning nuclear tests under adequate safeguards, the committee was concerned as to how long the U.S. should postpone the testing which is required to advance nuclear capability, in the face of Russia's refusal to negotiate an agreement in good faith. Only by thorough inspection around the world could each side be certain that the other was not secretly taking the lead in more efficient weapons. Canadian members repeated that public opinion in Canada now was against resumption of nuclear tests, but could change in the face of continued Russian rejection of inspection and the growing possibility of the Russians conducting secret tests.

## 5. Defense Production Sharing:

In view of the inter-dependent nature of the economic as well as the military aspects of the common defense effort, the Committee confirmed the need for a strong industrial base in Canada as an essential part of North American defense. The defense production-sharing programme continues to provide opportunities for Canadian industry to participate on an equitable basis with U.S. industry in defense development and production. The com-

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## CANADA-U.S. DEFENCE PRODUCTION AGREEMENT

The following statement was made in the House of Commons on June 12 by Prime Minister Diefenbaker:

"For some time representatives of the Canadian and United States Governments have been working on an agreement relating to the defence of Canada, more particularly to air defence and to Canada-United States production-sharing programme. The objective of such an agreement was to reflect the desire of both governments to ensure more effective use of the productive capacities, skills and resources of each country and at the same time to demonstrate our mutual determination to improve the defensive strength of NATO and particularly of NORAD under it.

### TERMS OF AGREEMENT

"An agreement has now been concluded which contains three major terms, all of which are closely interrelated.

"(1) By the terms of the Pinetree Line agreement of 1951, and a further agreement of 1955, responsibility for the Pinetree Line was divided between the two governments. Canada will assume responsibilities hitherto resting on the United States under these agreements for manning, operating, maintaining and financing 16 stations of this Line. The take-over of these stations will begin immediately and will be carried out as fast as possible having regard to the RCAF's capacity to assume these additional responsibilities, and will be so phased as to maintain the efficiency and effectiveness of the Line.

"(2) In consideration to the financial and other benefits which will accrue to the United States as a result of Canada's assumption of additional responsibilities under the Pinetree agreements, Canada will be furnished with 66 F-101B interceptor aircraft and appropriate support equipment. These aircraft, title to which will be vested in Canada, will be armed with conventional weapons and will serve to re-equip RCAF squadrons allocated to NORAD and will be operated in accordance with NORAD plans. As aircraft are already in existence, being the latest of that series off the production line, deliveries will commence immediately and will be phased in accordance with the RCAF's ability to absorb them.

"The cost of spare parts, flight simulators and related equipment for these aircraft will be shared on the basis of the United States paying two-thirds and Canada paying one-third. The cost of the armament to be obtained for the aircraft will be shared on the same basis.

"(3) The United States agrees to the procurement in Canada of a number of F-104G aircraft, associated support equipment and initial spares to the total value of \$200 million, of which the United States share will be \$150 million and the Canadian share \$50 million.

### CONTRIBUTION TO COLLECTIVE STRENGTH

"The aircraft procured will enable Canada and the United States to make a significant contribution to the collective strength of NATO under their respective mutual-aid and defence-assistance programmes. The deliveries of these aircraft are to begin in mid-1963, following the completion of production of the aircraft of this type ordered for the First Canadian Air Division in Europe. It is anticipated that deliveries will be made at the approximate rate of 48 aircraft a year and will continue until the \$200 million has been expended.

"This agreement, representing as it does an important and constructive development in Canada's defence relations with the United States is further evidence of the determination of both countries to maintain the operational effectiveness of the North American air defence system. It will make a significant contribution to the security of North America and of the European area of NATO as well.

"I would stress that the approach of both governments has not been based on narrow self-interest, but reflects a genuine effort to find a way for each to co-operate with the other to the benefit not only of both but of mutual allies as well.

"The agreement is therefore more than just a bilateral agreement. It expresses the desire to make common use to those resources which each possesses and which can be made available for the benefit of each other and our partners in NATO in the pursuit of peace and makes possible a more substantial contribution toward the security of the West than could be made by either government acting alone.

### CONTINUING IMPORTANCE OF BOMBERS

"Despite past indications and the widely accepted views of military staffs in the Western world and the statements of Russian leaders to the same effect that the U.S.S.R. was completely replacing bomber aircraft with missiles, it has not done so and is continuing to maintain a large and effective fleet of bombers. Indeed, the experience of all the nations in the Western world has been that widespread changes have had to be made in plans and various armaments have had to be discarded as events have altered decisions previously made and as the U.S.S.R. has changed or departed from an anticipated course of action.

"The Canadian Government has done much to further disarmament but recent world events re-emphasize that the U.S.S.R. is not of that mind. There is no survival in adopting the attitude that if Canada does not maintain her most effective defences her people will thereby escape from havoc and destruction should war come.

"Canada (in common with the other nations of the free world) must therefore continue to maintain its defences."



### UN PRESIDENT IN OTTAWA

The President of the United Nations General Assembly, Mr. Frederick Boland, made an informal visit to Ottawa from June 11 to 13. Mr. Boland is also the Permanent Representative of Ireland to the United Nations.

During his stay, Mr. Boland met with the Prime Minister, the Speaker of the Senate and the Speaker of the House of Commons. He addressed the Canadian Club of Ottawa at a luncheon meeting at the Chateau Laurier on June 12, and later the same day was guest of honour at a government dinner at which the Secretary of State for External Affairs, Mr. Green, was host. The Irish Ambassador to Canada entertained Mr. Boland at lunch the following day.

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### NICKEL

Nickel production in Canada rose to a new peak in 1960. Amounting to 213,641 short tons, or 15 per cent more than in 1959, it reached maximum capacity and was one aspect of the mineral industry that showed widespread expansion and development.

World demand for nickel during 1960 was extremely heavy, although a slight decline, which made it possible for producing companies to restock badly depleted inventories, occurred toward the end of the year. In Europe the demand for nickel was very high throughout the year, particularly in the steel industry. In the United States, demand was high immediately after the end of the steel strike but tapered off during the summer because of a decrease in American steel production.

The General Services Administration of the United States Government released 19 million pounds of cathode nickel from stockpile in January to alleviate any shortage. The remaining contracts between The International Nickel Company of Canada, Limited, and the United States Defense Materials Procurement Agency (DPA) were cancelled, and International Nickel assumed the 1960 deliveries of Falconbridge Nickel Mines Limited. In October the DPA inventory was estimated to contain 130 million pounds of nickel.

With the decline in stockpile commitments, more nickel will be available to the open market, and consumption and production figures will be in closer balance. Production from International Nickel's property at Thompson, Manitoba, which begins in 1961 at an annual rate of 37,500 tons of nickel, will make up much of the loss caused to the Free World market by recent events in Cuba.

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### VISIT BY EEC OFFICIAL

Mr. Jean Rey, a member of the Commission of the European Economic Community, visited Canada from June 13 to 18. Mr. Rey, a former Belgian Minister for Economic Affairs, is the commissioner-in-charge of the foreign relations of the European Economic Community. He was accompanied on his visit by a group of senior officials.

Mr. Rey was in Ottawa on June 14 and 15, where he met with cabinet ministers and senior government officials. He also visited Montreal and Quebec.

### MOTOR VEHICLE PRODUCTION

Production of motor vehicles in May declined to 41,212 units from 45,625 a year earlier and, with decreases in all previous months, output in the January-May period dropped to 180,364 units from 212,865 a year ago. The month's production of passenger cars fell to 34,201 units from 37,796 a year earlier and commercial vehicles to 7,011 units from 7,829. The five-month output of passenger cars decreased to 149,662 units from 174,693 a year ago and commercial vehicles to 30,702 units from 38,172.

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### "BIG FIVE" FAVOUR SEAT BELTS

Canada's automobile manufacturers have announced that their 1962 models will be equipped with brackets for the installation of seat belts. The Canadian Highway Safety Council has expressed its satisfaction that Ford, Chrysler, General Motors, Studebaker-Packard and American Motors have planned to equip all new models with belt brackets. "Thus we have the whole Canadian automobile industry lining up to make it easier for the driver and passenger to safeguard himself against serious injury," said W.A. Bryce, the Council's executive director. "That seat belts reduce the seriousness of accident injury has already been proved. What remains is that all vehicle occupants use these belts. An industry standard for seat-belt fastening has been reached. Now it's up to the occupant of the car. Installation of seat belts is not the answer. They can be of no benefit unless they are used."

Canadian and United States safety authorities claim the use of seat belts can reduce traffic fatalities by at least one-third.

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### FEBRUARY IMPORTS

Canada's commodity imports from all countries in February were valued at \$395,100,000, a 12.8 per cent decline from last year's corresponding total of \$452,900,000, according to the summary report by the Dominion Bureau of Statistics containing details of the month's imports. The main totals were published in a preliminary statement on April 5. This followed an increase of 7.9 per cent in January, and the combined value for the January-February period declined 3.1 per cent to \$826,300,000, from \$852,300,000 in the like period of 1960.

Among the main sources of supply in February were smaller purchases from the United Kingdom, the United States, Venezuela, the Federal Republic of Germany, Japan, France and India, and larger imports from The West Indies, Saudi Arabia and Italy.

Among major commodities, values were smaller in February than a year earlier for non-farm machinery, automobiles and parts, cotton products, farm implements and machinery, and larger for fruits, engines and boilers, crude petroleum and aircraft and parts.



## CONSORTIUM ON INDIAN AID

On June 2, Prime Minister Diefenbaker made the following statement to the House of Commons:

"The House will recall that Canada has been represented at meetings this week of a consortium of countries and international agencies concerned with the financing of the foreign exchange requirements of India's third Five-Year Plan. This meeting concluded successfully yesterday and agreed on the text of a statement....

"I will not endeavour to repeat the details furnished in the statement. The meeting was attended by representatives of the Governments of Canada, the Federal Republic of Germany, Japan, the United Kingdom and the United States and by representatives of the International Bank for Reconstruction and Development and the International Development Agency. France joined the consortium as a member during the meeting.

"At this meeting, the members of the consortium undertook commitments of aid to India totalling over \$2 billion for the first two years of the Five-Year Plan. These large commitments should enable India to launch this plan of economic development with confidence in the ultimate achievement of its objectives. The group recognized that, in order to carry out the plan, it will be necessary not only for India to devote very considerable resources to financing it but also it will have to be supplemented by a very large inflow of capital, both private and public.

### TOTAL COMMITMENT

"The total commitments undertaken for the first two years amount to \$2,225 million. Included in that is \$56 million from Canada. This Canadian figure is at a rate of \$28 million for each of the two years. This includes \$18 million each year of aide made available under the Colombo Plan and \$10 million in each of the two years, which the Government has undertaken to allocate in the form of export credits, contingent upon the approval by Parliament of the amendments to the Export Credits Insurance Act, in anticipation of which there is now a resolution on the Order Paper.

"In addition to these commitments the United States has undertaken to assist India by making available surplus commodities. India is also receiving grants of wheat from Canada. I point out that these grants are over and above the commitment of \$28 million a year for the first two years. Seven million dollars has been set aside this year in anticipation of a request being received from India for wheat. The House will recall that last year the same amount was furnished in wheat in response to a request from India.

"I am sure that all Hon. Members of the House will welcome the successful outcome of this international meeting, which is of vital importance to peace. Parliament will be asked in due course to take the measures necessary for Canada to implement its share in these undertakings. The statement points out that the commitments made in the meetings in Washington in General are subject to legislative authorization...."

## SEAWAY TRAFFIC

The movement of cargo vessels through the St. Lawrence Seaway to the end of May shows a slight increase over that for the like period of 1960. The increase is believed to be largely due to the heavier movement of grain downbound from the Upper Lakes. Figures compiled for the St. Lambert Lock, at the entrance to the Seaway near Montreal, show a net increase of 103 vessel passages over those reported for the comparable period the previous year.

Downbound movements increased by 86 vessels and upbound by 17 for a grand total of 1,213 transits, compared with 1,110 for the same period for 1960. Ocean vessels totalled 445, both upbound and downbound, for April and May 1961, compared with 415 in the comparable period of 1960. Inland cargo-vessel passages increased from 572 in 1960 to 680 for the present season so far.

The cumulative total traffic for the Lake Ontario entrance to the Welland Canal, at Port Weller shows a decrease of 108 vessel movements, from 1,716 last year to 1,608 during the April-May period, 1961. This decrease is attributed by Seaway officials almost entirely to a considerable movement of construction tugs and barges through the Port Weller entrance early in 1960, which has not occurred this year.

Ocean-vessel passages through Port Weller have, in fact, increased from 391 to 439 (some 12 per cent), but inland cargo-vessel transits decreased from 992 in 1960 to 951 in the same period of 1961. During the first two months of navigation this year, 218 vessels of "other" types passed through the Port Weller entrance upbound and downbound.

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## ELECTRIC POWERS

The total net generation of electric energy by plants that produce 10 million kilowatt hours or more *per annum* amounted to 9,414,495 mwh in April, little changed from last year's corresponding total of 9,408,824 mwh. The month's imports of electric energy advanced sharply to 90,754 mwh from 23,442 mwh a year earlier, while exports dropped to 423,436 mwh from 448,364 mwh. Thus, energy made available in Canada in the month amounted to 9,081,813 mwh, against 8,983,902 mwh; and of this amount some 565,081 mwh were used in electric boilers compared to 699,517 mwh.

Net generation in the January-April period fell to 38,271,805 mwh from 38,808,725 mwh a year ago. Imports of electric energy increased to 368,038 mwh from 121,070 mwh, while exports decreased to 1,211,297 mwh from 1,609,901 mwh. Energy made available in Canada in the four months totalled 37,428,546 mwh, compared to 37,319,894 mwh, and of this amount some 2,187,969 mwh were used in electric boilers against 2,857,937 mwh.



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IN WASHINGTON

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mittee noted that since the initiation of the programme, Canada continued to procure more defense items in U.S. than U.S. procured in Canada. It was agreed that efforts should be continued to strengthen the Canadian portion of the common defense production base through increased U.S. defense procurement in Canada.

REPORT OF THE COMMITTEE ON TRADE  
AND ECONOMIC MATTERS AID  
TO UNDER-DEVELOPED COUNTRIES

"There was a general discussion on the principles which should govern aid to under-developed countries and the problems of implementing aid programmes. It was agreed that there was need for more effective preparation and planning of aid programmes and that proper training of personnel administering them was also important. Reference was made to the desirability of close co-operation between Canada and the U.S. as contributing countries, both in determining a fair sharing of the burden and in promoting effective administration. The U.S. delegation pointed out that the U.S. was now contributing about one per cent of its gross national product to foreign aid programmes, and the suggestion was made by the U.S. delegation that this percentage might be a target toward which other countries might aim. It was agreed that this aid was necessary in furtherance of the aims of the developed nations in accepting their responsibility toward the under-developed countries.

*Boundary Waters:*

"In the discussion of the Columbia River, the Canadian delegation observed that there were certain problems in Canada that had to be resolved before ratification of the treaty by Parliament could take place. In this connection, it was pointed out that the Province of British Columbia had made the necessary amendments to its Water Act, and had authorized the British Columbia Power Commission to apply for a license to construct the Canadian works provided for under the treaty. It was also understood that the preconstruction engineering would be completed later this year. It was hoped, therefore, that the project would not be delayed unduly.

"Concerning the Passamaquoddy Tidal Power Project, a member of the U.S. delegation asked for an expression of Canadian views, in the light of the International Joint Commission Report. A member of the Canadian delegation responded that the report indicated an unfavourable cost benefit ratio which in turn suggested that the project would be uneconomical at this time. The U.S. delegation thought it might be useful to continue studies of the project.

"The U.S. delegation urged the desirability of a joint study of potential traffic of the Richelieu-Champlain Waterway and of improvements to handle this traffic. Such a study was of some urgency due to possible alternative action by the U.S. on the Hudson-Erie Waterway.

*Tourism:*

"There was a discussion on the balance of tourist expenditures between Canada and the U.S. It was pointed out that in 1958 and 1959 Canadian tourist expenditures in the U.S. were \$413 million and \$448 million, respectively, while U.S. tourist expenditures in Canada were \$309 million and \$351 million. Thus, there was an annual Canadian deficit of approximately \$100 million in each of these years. With this in mind, the Canadian delegation expressed concern over the legislation now pending in the U.S. Congress to reduce the import duty exemption accorded to returning U.S. tourists from \$500 to \$100. Both delegations recognized the seriousness of the problem and discussed several ways in which the present imbalance might be improved, including expanded Canadian tourist promotion and better arrangements for air travel on Canadian and U.S. trans-border carriers.

*Trade:*

"The committee discussed trade with the Sino-Soviet bloc with particular reference to trade with Communist China. The Canadian delegation explained the recent sale of agricultural products to Communist China. It was pointed out that the whole matter of agricultural products and of foreign sale of food stuffs was a problem of greater relative magnitude for Canada than for most other countries since Canada consumed about fourteen per cent and exported 86 per cent of its wheat production, whereas in the U.S. the figures were just the reverse. The U.S. delegation understood the factors within Canada that resulted in these sales and explained the basis for the U.S. in not engaging in such trade.

"Trade with Cuba was also discussed. The U.S. delegation explained the distinction in U.S. law between trade with Cuba and with Communist China. It cited the dwindling amount of such trade in the permissive categories of food and medicine.

"Both delegations recognized that Canada and the U.S. had a common interest in strengthening themselves and in supporting and promoting free-world objectives against the threat that faces them.

*U.S. Investment in Canada:*

"The contribution which U.S. investment had made to the development of Canadian industry was recognized but members of the Canadian delegation also drew attention to the problems which arose in Canada due to the large measure of U.S. control over certain segments of Canadian industry. It was pointed out that the Canadian Government had recently taken measures to encourage wider participation by Canadians in their own industrial development without penalizing foreign investment. It was also suggested by the Canadian delegation that it would be helpful if Canadians had greater access to the equity financing of U.S.-owned companies in Canada.

*International Trade Unions:*

"The Canadian delegation expressed some concern over the excessive influence exercised on Canadian trade unions by the heads of some U.S.-controlled international unions. Admittedly this was a matter for consideration within Canada.

*European Trade Groupings:*

"A Canadian delegate expressed the hope that Canada and the U.S. would consult to find a mutually satisfactory approach to the problems created by European trade blocs."