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First Session—Twenty-seventh Parliament

1966

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING COMMITTEE ON
EXTERNAL RELATIONS

The Honourable G. S. THORVALDSON, *Chairman*

The Honourable L. M. GOUIN, *Deputy Chairman*

No. 1

First Proceedings on the Inquiry into Commonwealth Relationships,
with particular reference to the position of Canada within
the Commonwealth

THURSDAY, MAY 5th, 1966

WITNESS:

Professor H. Edward English, Secretary, Private Planning
Association of Canada.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966



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PROCEEDINGS

THE STANDING COMMITTEE ON EXTERNAL RELATIONS

The Honourable G. S. Thorvaldson, *Chairman*

The Honourable L. M. Gouin, *Deputy Chairman*

The Honourable Senators

Benidickson,	Inman,
Blois,	Jodoin,
Boucher,	Macdonald (<i>Brantford</i>),
Cameron,	McLean,
Cook,	O'Leary (<i>Carleton</i>),
Crerar,	Pouliot,
Croll,	Quart,
Farris,	Rattenbury,
Fergusson,	Roebuck,
Flynn,	Savoie,
Fournier (<i>De Lanaudière</i>),	Smith (<i>Queens-Shelburne</i>),
Gouin,	Taylor,
Grosart,	Thorvaldson,
Haig,	Vaillancourt,
Hayden,	Veniot,
Hnatyshyn,	Vien,
Hugessen,	Zuzyk—(34).

Ex officio members: Brooks and Connolly (*Ottawa West*).

(Quorum 7)

THURSDAY, MAY 25th, 1966

WITNESS:

Professor H. Edward English, Secretary, Private Planning Association of Canada.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

MINUTE ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 9, 1966:

"The Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Hnatyshyn:

That the Standing Committee on External Relations be authorized to inquire into the question of Commonwealth relations with particular reference to the position of Canada within the Commonwealth;

That the Committee have power to send for persons, papers and records, and to sit during sittings and adjournments of the Senate;

That the evidence received and taken on the subject at the preceding session be referred to the Committee; and

That the Committee be instructed to report to the House from time to time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

STANDING COMMITTEE ON EXTERNAL RELATIONS THURSDAY, May 5, 1966.

Pursuant to adjournment and notice the Standing Committee on External Relations met this day at 10 a.m.

Present: The Honourable Senators Thorvaldson (*Chairman*), Blois, Flynn, Fournier (*De Lanaudière*), Gouin, Grosart, Hnatyshyn, Hugessen, Quart, Rattenbury, Smith (*Queens-Shelburne*), Vien and Yuzyk.

On motion of the Honourable Senator Grosart, the Honourable Senator Gouin was elected Deputy Chairman.

On motion of the Honourable Senator Blois, it was resolved to report recommending that authority be granted for the printing of 800 copies in English and 300 copies in French of the Committee's day to day proceedings.

Professor H. Edward English, Secretary, Private Planning Association of Canada, was heard.

At 11.30 a.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

THE SENATE

STANDING COMMITTEE ON EXTERNAL RELATIONS

EVIDENCE

OTTAWA, Thursday, May 5, 1966.

The Standing Committee on External Relations, to which was referred the question of Commonwealth relationships with particular reference to the position of Canada within the Commonwealth, met this day at 10 a.m.

Senator GUNNAR S. THORVALDSON in the Chair.

The CHAIRMAN: Honourable senators, I hear the Peace Tower clock chiming the hour of 10, and as a quorum is present we will proceed with our meeting. There are a couple of preliminary matters that have to be dealt with, the first being the election of a deputy chairman.

Senator GROSART: I move that Senator Gouin be deputy chairman.

Senator BLOIS: I will second that motion.

The CHAIRMAN: Are there any other nominations? All those in favour? The motion is carried.

Senator GOUIN: Thank you, gentlemen.

The CHAIRMAN: I am very happy to have you as deputy chairman, Senator Gouin.

Senator GOUIN: And I am very pleased to be with you, Mr. Chairman.

The committee agreed that a verbatim report be made of the committee's proceedings on the bill.

The committee agreed to report recommending authority be granted for the printing of 800 copies in English and 300 copies in French of the committee's proceedings.

The CHAIRMAN: Before I call upon Dr. English I should like to mention that the members of the Steering Committee which is composed of the chairman, the deputy chairman, Senator Gouin, and Senators Fergusson, Grosart, O'Leary (Carleton), MacKenzie, and Smith (Queens-Shelburne), had a meeting some time ago at which it was decided that in the early meetings of this committee we would devote our time to, or at least emphasize, some of the economic aspects of our Commonwealth relationships. For that reason we invited Dr. H. Edward English to be with us today. He very kindly consented to come here, and is present now.

Perhaps I should say a few words about Dr. English's background and achievements. He graduated from the University of British Columbia in arts and economics in 1945. Later he studied at the University of California at Berkeley where he obtained the degree of Doctor of Philosophy. Subsequently he taught economics at Carleton University.

Since 1962 Dr. English has been on leave from the university, and during that time has been the secretary of the Private Planning Association of Canada, and also the Director of Research of the Canadian Trade Committee. His headquarters with respect to these duties are in Montreal. I shall now ask Dr. English to speak to us.

Professor H. Edward English, Secretary, Private Planning Association of Canada: Honourable senators, I welcome the opportunity to appear before the External Relations Committee this morning. I regret that I did not have time to prepare a full written statement, as I would have preferred to do, as a courtesy to the committee, and also as a means of organizing the subject matter I want to bring before you. However, under the circumstances I hope, with the committee's indulgence, to contribute something to the discussion, although the presentation will be somewhat more informal than I would ideally have wished.

The CHAIRMAN: Perhaps I should explain to the committee that Professor English did not receive much warning about this meeting, and that he kindly consented to come on rather short notice.

Dr. ENGLISH: I think I can justify my presence here as an opportunity to report on the work of the Private Planning Association in the area of your concern.

The Private Planning Association of Canada is a private policy research association supported by industry, labour and agriculture. Its two principal committees, the Canadian-American committee and the Canadian Trade Committee meet twice yearly to hold discussions on public policy issues and to review drafts of studies for publication.

Our work has been concentrated on problems of international trade and investment, factors affecting Canada's competitive position and the particular problems associated with our relationships with the United States, the United Kingdom, the European community and the developing countries.

I might add that we are now spreading more into domestic policy questions. There is nothing in the charter of the association which excludes us from dealing with other issues, although in the past our concentration has certainly been on the international side.

I cannot resist adding at this point that, since Senator MacKenzie has just come in, I want to recognize him as a former teacher, but my talk this morning will do him no discredit, because he did not teach me economics.

Senator MACKENZIE: Thank you, sir.

Dr. ENGLISH: Canada's relationship with the Commonwealth, which I understand is the principal concern of this committee at present, played an important part in the development of the work of the Private Planning Association.

Until 1961 the Association was mainly concerned with Canada-U.S. relations. Then Britain's application to join the European Economic Community forced Canada to stop taking its other traditional trade relationships for granted. The Association recognized this and set up a new committee to cover this wider field, namely, the Canadian Trade Committee.

Then during 1962 when the U.S. Trade Expansion Act was passing through Congress and the concept of Atlantic partnership was evolving in Washington, it became apparent to many Canadians, including the members of our association, that it might be difficult to fit Canada into the concept of Atlantic partnership. It was conceived, as you know, as based upon a U.S. relationship with an enlarged E.E.C. to include Britain and countries, and it was difficult to see how Canada would fit into it in any other way than as a sort of satellite to the United States; and there are aspects of that kind of relationship to which Canadians are reluctant to commit themselves.

At the time, the idea was born that the Association should establish a study program for assessing Canada's economic role in the Atlantic community. This program, financed in part by the Ford Foundation, is currently under way, and I would be happy to discuss that if the interests of your committee extend in that direction. However, I do not feel it is as directly relevant today.

No one of the Trade Committee's publications has dealt comprehensively with Canada's Commonwealth economic relationships. Those that have related most closely to the Commonwealth are on a recent study of Canada's role in Britain's trade, which I think all of you will have received, and an earlier publication on Canada's interest in the trade problems of the less developed countries.

These, like all of our studies, were done by independent professional economists, most of whom are university personnel; some are working for industry, and some are on our permanent staff.

The work we have done ourselves, and the work which I have had the opportunity to review from outside sources, leads me to the following conclusions concerning the economic importance of the Commonwealth. Before discussing these, I should like first of all to say that I am concentrating on the economic questions, because I feel most competent to do so. I noted in the statement of the Secretary of State for External Affairs last year that he concentrated on the non-economic questions, and I felt that was entirely warranted in view of the greater importance today of those aspects of Commonwealth connections.

I also wish to add that I am going to speak rather dogmatically about these conclusions. I do this because I want to make it brief and prefer to introduce the qualifications in the course of the discussion.

First of all, I would conclude that Commonwealth preferences have very substantially declined in importance. At the present time their remaining significance for Canada lies in the almost free access which Canadian manufactures have to the U.K. market. After the surcharges are removed—we now know that they are scheduled for removal in November—this free access will be fully restored, except for a few commodity groups, such as automobiles and some synthetic textiles.

The preferences have never been of vital importance for our exports of agricultural commodities and industrial materials, since as long as we are accorded equal treatment in the British market for these, we are efficient suppliers of most of them in competition with any producers elsewhere in the world. I know that is a comprehensive statement, but by and large I believe it to be true.

There are, of course, exceptions, such as the preference accorded to Canadian apples, which is an example of one type of export which has very much benefited preferences.

For manufactured goods, however, we have benefited in recent years from the preferences granted to us as a result of the 1932 Ottawa agreements. Since we were not then important suppliers of manufactured goods, the British did not hesitate to give us free access. During the past few years we have begun to take advantage of this position, and a loss of preferences would close to us or severely restrict the only major industrial market for which we have free access for almost all manufactured goods.

Until recently, such products did not comprise a major share of our trade, but this is no longer the case, and one should not underestimate the importance of this and other external markets for the development and rationalization of many manufacturing industries, especially in the future.

I should add that the British entry into the E.E.C. would of course introduce a reverse preference, as it has been called, because not only would we lose the preferences we have now, but there would be preferences set up in favour of the other members of the E.E.C. in the British market, and Canadian suppliers of manufactured goods particularly would be very severely affected if Britain went into the Common Market.

Canadian suppliers of manufactured goods particularly would be at a very severe relative disadvantage in the British market if Britain went into the Common Market—unless, of course, the Common Market then proceeded to reduce its external tariffs to zero or nearly zero.

However, I should add that, in my opinion, and in that of quite a few other observers of the British scene, entry into E.E.C. is not nearly as imminent as some commentators would have us believe. Tomorrow's paper can always prove one wrong in a statement like that, but I think it is still a fair assessment of the political situation and of the very important economic difficulty, especially relating to agriculture, standing in the way of British entry into the E.E.C.

That is one set of conclusions relating primarily to the benefits of preferences to the Canadian economy.

A second group relate to the importance of Commonwealth preferences affecting our trade with the rest of the former British territories. These are of declining importance both for us and for the territories themselves. Most of these countries no longer give Canadian goods privileged access to their markets. Our own preferential tariffs do not afford the developing countries sufficient access to our market to encourage them to develop the kind of specialized exports which many of them think they are capable of developing.

In helping the developing countries to expand production of those goods of which they are likely to be efficient producers in the future, there is little that we can do by ourselves. Canada is not a big enough market to handle the problem of assisting the whole developing world, or even the developing Commonwealth to achieve its most efficient form of development. Furthermore, it would be against our interests to give the developing countries preferential treatment in Canada, if that means that we will continue to maintain our trading barriers against our traditional trading partners such as the United States and Japan.

Action is required to assist developing countries, but the extension of Commonwealth preferences does not seem to me, or, I think, to most Canadian economists who have worked on this subject, to be the most appropriate method.

There is one exception to this statement and this relates to the West Indies, the British Caribbean. There is, I think, a possibility for special arrangements with this area. The size of the West Indian economy relative to Canada's is limited enough so that free access to the Canadian market could be of very real help to that region. The period during which the West Indies might have free access to Canada's market, if such a policy were initiated relatively soon, would assist them to become more competitive, and thus prepare for the time when they would have an opportunity to compete in the markets of other developed countries.

It would serve as a purpose of assisting them in the developing process, before other sequences were worked out, either through a sequence of multilateral tariff reductions or through the building of larger trading blocs.

The final set of points which I wish to emphasize relate to Canada's over-all trade policy. I think it is not sensible really to examine our policy towards the Commonwealth in respect of trading matters except in the context of our over-all trade policy. Our attitude to the Commonwealth preferences is one of many traditional attitudes towards commercial policy in Canada. These attitudes are changing and may have to change a great deal more, to accommodate the new circumstances of the 1960's and beyond.

The more fundamental pattern of views in Canada, which is symbolized by the traditional free trade versus protectionism controversy which has often come into Canadian politics, seems to me largely obsolete. It was based on doctrinaire positions, and I, as an academic, have noted that the doctrinaire

positions are not restricted to the academic world. In fact, these views have in the past reflected the interests of groups of industries in Canada, as well as of contending economists.

The growth of the Canadian economy has made these old alignments—export industries versus others—largely obsolete. I think this is largely borne out by the attitudes now adopted by some of the provincial leaders in Ontario, different from what used to be the kind of policy considered appropriate for Ontario secondary industry. I think these people are reflecting real changes, really basic changes. There is now available in these areas a substantial market, which is now 12 million in Ontario and Quebec alone, the centre of our manufacturing activity. It is daily providing evidence that there is a good base for increased manufacturing industry in Canada which can be fully competitive in world markets, provided that foreign trade barriers can be removed and provided Canadian trade barriers no longer encourage small and inefficient industries and too many producers of less than optimum size.

As the Kennedy Round draws to a close, the issue again arises as to what commercial policy prospects are likely to be and how much Canada can influence them in a direction which will serve Canada's varied interests. We cannot make our own trade policy as a country. We have to adapt ourselves to the kind of world trade policy that is available or feasible. This means sometimes we have to choose between a series of alternatives none of which would be our favourite design if we had full charge of the process.

The difficulty that is to be found in the GATT approach is that it is a process of knocking a little here and there off the tariff walls. Under the United States Trade Expansion Act, an effort was made to get away from this gradual approach and introduce a policy of free access for important groups of commodities. As we know, the Canadian Government has itself experimented with a free access arrangement concerning automobile parts.

Successful application of the dominant supplier authority of the United States Trade Expansion Act—the authority which permitted the United States to reduce to zero tariffs on a wide range of goods, if U.S.-E.E.C. trade comprises over 80% of world trade—successful application of this authority was frustrated by the failure of Britain to get into the E.E.C. Hence a new method of achieving substantial reductions of tariffs is now required, if we come to the conclusion that this is what we want.

The question arises whether this can be done through multilateral negotiations or whether there would be better results by keeping to regional free trade groupings as the European and some Latin American countries have done.

Senator VIEN: Doctor, do you come under the authority of the Department of Trade and Commerce or do you come under the authority of the Department of External Affairs?

Dr. ENGLISH: Neither. I am a private citizen.

Senator VIEN: I know, but I mean your organization, which you have set up.

Dr. ENGLISH: Neither. It is entirely private. We are concerned with the subject matter of the work of both departments.

Senator VIEN: I was trying to find whether this ties in with External Affairs or Trade and Commerce or Finance.

Senator FOURNIER (*De Lanaudière*): I am sorry, I was 10 minutes late. It may be that you were perfectly identified at the start but I do not know who you are.

The CHAIRMAN: I will ask Dr. English if he would refer again to the work that he is doing now.

Senator FOURNIER (*De Lanaudière*): If you please. Thank you.

Dr. ENGLISH: I am an academic economist, attached to Carleton University Department of Economics, but I am on leave at the present time, and have been for the past three years, with the Private Planning Association in Montreal which is a very broadly based private policy research association. It is concerned with the discussion of policy issues, economic policy issues primarily, and in particular has concentrated on trade questions and foreign investment questions. It has put out a series of studies. I do not have copies of the Canadian-American studies with me because the subject matter today does not lie in that direction, but I have Canadian Trade Committee publications with me and I will be happy to make them available to those members of the committee not already familiar with them. I would say these studies argue for themselves that what we are doing is independent research. The membership of our committee ensures independence because there are people on it from the traditional export industries, from other manufacturing industries, from various parts of the country, indeed, it is representative in the way that many of our political institutions are. We have labour leaders on our committee and leaders in agriculture. The list of the membership of the Canadian Trade Committee appears at the back of each publication. It is important to recognize that we are trying to do independent analysis of economic policies.

Senator VIEN: Are you leading now to the suggestion that there should be some particular type of legislation?

Dr. ENGLISH: I think I would not want to focus too much attention on that aspect in my opening remarks. I was invited here because of the nature of our Association and I am reporting on some of the ideas issuing from our work. There are policy suggestions and statements which have come out as a result of the work done by our committees and by those who have prepared the independent studies, but I would prefer not to bring them up unless they emerge out of questioning. We are not as an organization grinding any axe in the sense of lobbying for a special position.

Senator SMITH (*Queens-Shelburne*): It might be helpful at this point to make the comment that a look by some of the members of the committee who are not too familiar with this work at some of the reports issued in recent years will explain the attitudes and studies being done. I do not know if they are available in French, but I presume they are.

Dr. ENGLISH: This is a problem, I am afraid. We have not yet reached a state of affluence which enables us to do this. There are certain of our studies and statements for which summaries have been issued in French. I think it would be very desirable to move in this direction in future.

Senator HUGESSEN: You have several copies of your publications. If you turn up the passage showing the members of your organization it might help Senator Vien to see what it is. It has a very broad perspective and includes labour, capital and everything else.

Senator VIEN: The only point I have in mind is to find out what our committee could do about it. It is most informative, but I feel this information would be more effectively set before the Department of Trade and Commerce than before the External Affairs Department. Be that as it may, it is very interesting, but I fail to see what our committee could do about it.

The CHAIRMAN: I think the basis of the work of this committee is to become informed in regard to some of these problems.

Senator FOURNIER (*De Lanaudière*): If you will permit me, any information we can get anywhere will permit us to learn something, but instead of having a gentleman here representing an independent body without any public responsibilities, I would have preferred to have an official of the Department of Trade and Commerce or External Affairs so that we could put some questions to find

out exactly what is the policy of the Government in certain matters. The witness is, of course, very interesting and we enjoy listening to him, but if I want to put a question concerning Government policy on a certain point, he cannot give an answer.

The CHAIRMAN: Senator Fournier, may I say that in due course it is very likely that this committee will have such officials of the Department of External Affairs, and Trade and Commerce, and so on, before us and then we can deal with such matters. But we cannot do everything at the same time. We have to plan these things as best we can, and Dr. English is in our view one of the most knowledgeable men in Canada on this particular subject, and that is the reason he is before us today.

Senator FOURNIER (*De Lanaudière*): I hope we'll meet more often.

Dr. ENGLISH: If I may venture a comment on this subject, I feel that our position as an outside research organization might be to help you to find the questions you should ask. I think this process could better be done after you have gone over some of our publications and after you have had time to think about them. I would be very happy to talk to the members of this committee at any time that your work raises more particular points you may not think about at this first meeting.

I have very little more of a formal nature to say. What I wanted to bring out of this more general discussion I launched into a moment ago is that there are certain ways in which our interests and the interests of the British are very much in common in facing the future of trade policies. I think our two countries have perhaps the most to gain from closer integration in the world economy because other leading industrialized countries have already achieved that objective. Let us look at some of the other countries: The United States in itself is an enormous common market. The countries of the E.E.C. have comprised another very large common market. The Japanese economy is very large in itself, 100 million people at home, and because of their special advantages they have easily gained access for certain of their specialized products in other markets even where tariffs and other obstacles have been in the way.

British manufacturers now find it more profitable to rely on home rather than on foreign markets. They need to have some pressure from outside to strengthen their economy. Of course here in Canada we have not had the problem of industries growing old, but we have suffered from the fact that while they have been growing up they have not had the opportunity to develop specialized production, and the export opportunities that may be available in future will afford them that kind of development. This is now beginning to take place even with the present tariff arrangements. I think it can take place even more promisingly in Canada if we have more appropriate commercial policy arrangements between this country and others. In this context it may be important that Britain and Canada get together and act with joint initiative together with the United States because unless the U.S. is involved a lot of our trade is set aside. Sixty per cent is a good round figure for import and exports. A good percentage of our trade is Canada-United States, and will remain so. We have to involve the United States even though we all know there are certain disadvantages from being exclusively concerned with Canada-United States trade and therefore the parallel between our position and that of Britain offers the opportunity for three-way initiative in the development of trade policies. This is particularly true if Britain does not have an opportunity to join the E.E.C. That is one side of the argument that emerges from our assessment of the world trade picture.

The other side relates to our relationship with the developing countries. The developing countries, including the Commonwealth developing countries, have demanded easier access to our market and that of the United States, the

United Kingdom and Europe. We all recognize that this presents problems, because if these countries develop manufactured exports on a large scale they will be in a good position to compete with some of our industries and those of the United States and the United Kingdom. They have initially lower-cost labour, but, of course, I would add that to the extent they succeed their labour costs will go up because their incomes will go up. I think that the important thing about giving access to the developing Commonwealth countries and other developing countries is that we will need to act together. Canada cannot hope to satisfy their needs by itself. Even the United States would find it politically very difficult to give unilateral concessions to the whole developing world on its own. But if we act together and allow for a transition period for our own industries as well as those of the countries that are developing, I think there is a prospect that we can respond to the economic needs for development in the developing countries. If we choose not to respond, then they will become more protectionist and develop industries which are inappropriate. It is in our interest to encourage these new countries to specialize in lines appropriate for them to work in and not to attempt to produce all the things that they need. For our part, we can use the opportunities to develop exports of our specialties to them as well.

The aid dollars we are spending in these parts of the world will be more efficiently used if they are used to develop industries that are appropriate for the resources and the talents of the people. They will be less efficiently used if we force them to adopt protectionist policies and produce everything they need at home.

These are the sort of background comments I have, really, on Canada-Commonwealth economic relations at this stage. I would be happy to be more specific in response to questions.

The CHAIRMAN: Thank you, Professor English.

Senator VIEN: As regard the development of trade between countries of the Commonwealth, you mean particularly with Britain, do you not? Our trade with the other parts of the Commonwealth is looked after in a particular manner, but I think we are all anxious that we should place our orders in Britain as much as we can, to help Britain and because they are large customers of Canadian goods. Did your Association or Committee develop any steps towards the further development of our trade with Britain?

Dr. ENGLISH: I would say that I think they are two separate questions. I would not put the whole emphasis on Canadian-British trade, not quite so much emphasis as you have done, but I think the important thing to recognize in our Canadian-British relationship is that we now have, as I mentioned earlier, free access for a very wide range of manufactures to the British market. The British do not have that kind of access to the Canadian market, and Britain would like to have it. I think we can all recognize the political difficulty of giving them what they want when there is nothing they can give us which is equivalent.

Senator VIEN: They have British preference in Canada. I do not believe we could go much further than the provisions of the British preference agreements between Canada and Britain, but they have 50 per cent at present on most of their goods coming into the Canadian market. Do you say they are anxious to trade more with Canada; is that in fact so?

Dr. ENGLISH: Yes, indeed.

Senator VIEN: Are you sure of that?

Dr. ENGLISH: Yes, they have expressed that view.

Senator VIEN: I happen to know that the sterling area has certain regulations with respect to sterling financial arrangements, and there are treasury officers in each country, either in the Commonwealth or outside of the

Commonwealth, who trade in sterling and are not allowed to buy in Canada or to sell in Canada except with permission from the British treasury. That has been made a little more flexible, but Mr. Diefenbaker, when he came in in 1957 and 1958, had an experience of that kind. He went to Britain and wanted to take 15 per cent of our purchases from the United States, to shift them to the British market. It is not so easy to do that. In the first place, our purchases in foreign trade are largely controlled by the Canadian subsidiaries of American companies. Canadian subsidiaries of American companies are large purchasers of things which both Britain and the United States produce, and they would not by natural feelings shift their purchases from the United States. Even if the Government tried to do so, it could not be done except by very drastic tariff provisions. This was one of the difficulties, that Canadian subsidiaries of American companies will purchase in the United States, whatever you say or do.

Mr. Diefenbaker found another difficulty. There was another provision which was a stumbling block, and that stumbling block was the fact that when they sold their goods into sterling areas they sold at a higher price than they could sell at in Canada because prices were held down by domestic production and by American competition on our market. They could not sell in Canada at a price equivalent to what they could sell at in foreign countries.

I said to one of them, "Yes, but you receive Canadian dollars." He said, "No, sir. We receive sterling. We are obliged to deposit that at the bank immediately. We receive sterling, but when I receive £100 for a certain volume of goods, a certain tonnage of goods, for which I receive in Canada £100, I receive £150 for a similar volume sold in the sterling area." I said, "Then you are charging 50 per cent more to the sterling area, and your sterling regulations act as a deterrent to trade with other countries." He said, "There is a feud between the president of the Board of Trade"—who is their Minister of Trade and Commerce—"and the Chancellor of the Exchequer. The Chancellor of the Exchequer wants hard currency money, Canadian or American. He compelled us to sell to hard currency countries at least 10 per cent of our production, but our prices are the obstacle. We will not sell goods to hard currency countries because we get only £100. When we sell to the sterling area we get £150, and the whole thing comes out in pounds sterling because the dollars we get from Canada and the United States must be deposited in the bank, and we receive in exchange sterling, and we receive £100 in one case and £150 in the other."

So, I was anxious in listening to you, and I see in your book "Canada's Role in Britain's Trade" an interesting answer to that.

Mr. Diefenbaker got rather a set-back because the United States immediately retaliated by employing embargoes against certain products and trade in the United States at that time, in 1957 and 1958. I would like to hear Dr. English tell us if any ways have been found by which we could purchase more from Britain and sell more to Britain.

The CHAIRMAN: Senator Vien, may I make just a brief statement? This, of course, is a very interesting problem, but it is not the problem we asked Dr. English to deal with at this meeting this morning. We asked him if he would be so good as to emphasize, for instance, the situation in regard to the possibility of Great Britain's joining the E.E.C., and rather phrase his discussion along that line, and not the general import-export line between Canada and the United Kingdom. May I, for instance, suggest to Dr. English that he deal with the subject rather along the line of the E.E.C. situation?

Dr. ENGLISH: I would be happy to comment on the points raised, and this I think will end up on the point you have mentioned. I believe that much of what you have said was more relevant to the period you referred to rather than the present, because many of the British regulations to which you alluded are no

longer operative. They did apply in those days, and it was quite understandable that the experience of the Government at that time would be one of frustration because of the existence of those regulations. But, the sterling regulations affecting trade have been substantially modified since then, and now the main regulations affecting the use of sterling concern investment activities and transfer of capital rather than the purchase of goods. So, I do not think it would be as relevant today as it was then. That is the first point, about the British regulations.

With regard to the second point about the possibility of switching trade from Canada-United States to Canada-Britain, it is my opinion that trade officials and government and private economists felt that that would be a very difficult thing to do in the circumstances, because the United States is so much more important as a market to us than is Britain. Our preference is for American manufactured goods. Most Canadians want North American type consumer goods, and industrialists want North American type equipment.

One of the reasons why we want North American type equipment is that we have high cost labour over here, and our production methods are therefore very capital intensive. We use complicated equipment that replaces labour to a greater degree than the British equipment replaces labour. British labour costs are lower than ours, and it pays them to use labour rather than machinery.

Senator GROSART: You are referring to specific industries, and not to the whole pattern of Canadian versus British manufacturing. In the whole pattern I think the opposite is true.

Dr. ENGLISH: No.

Senator GROSART: I say that in the whole pattern of the development of technological machinery displacing labour my understanding is that the British are more technologically advanced than we are.

Dr. ENGLISH: I think this a point that would require a great deal more research than I have done. I am not referring to trade specifically now, but to British and Canadian production methods. Canadian production methods would tend, because of the cost of our labour, to replace labour by machinery more than would be the case in Britain because there the labour is of a lower cost.

Senator GROSART: There are Canadian industries which are highly technologically organized, but there are others which are not.

Dr. ENGLISH: This is true in both countries, but taking any specific industry one would expect—

Senator GROSART: Shipbuilding, for instance.

Dr. ENGLISH: Yes, there are exceptions. That may be an exception, but taking the range of specific industries you will find that in more cases the Canadian-American industries will use more capital equipment because their labour costs are higher, and the British industries would tend to use more labour.

Senator GROSART: I agree if you say Canadian and American industries, but that is not the case when you compare Canadian and British industries. I can think of too many exceptions.

Dr. ENGLISH: I think the important thing is that we do tend, whether justified or not, to use American type equipment even in industries that are not American owned. I think the findings that have recently come out concerning purchases by subsidiaries from the United States have to be examined with great care before we draw conclusions from them. In the first instance, most of those purchases are purchases by selling subsidiaries buying the goods complete from the United States, and selling them in Canada. Most of those purchases are of that type. They are not purchases of machinery and equipment at all. In this case the Canadian subsidiary of the American firm is a selling agency. It is

buying from its manufacturing agency in the United States. What meaning has that, except that we have a lot of American goods that are not produced in Canada but which are sold here? This suggests that it would be hard for the British to replace those goods unless they can bring into Canada goods that are competitive with the American goods.

Now, this is, as you suggest, a set of questions or issues that relates to Canada's trade not only with Britain but with the United States.

Coming to the attitude of the British towards the E.E.C. and towards North America as an alternative to the E.E.C., during the last summer some of us went to Europe with a view to finding out what the British attitudes, and the attitudes of other Europeans, were to any effort towards developing a new initiative in trade policy. One of the ideas which we sounded out—and I am putting this very firmly in this way, that we were not trying to find justifications for a particular position, but were sounding out reactions to various ideas—was whether there would be British interest in a larger Atlantic free trade area, because this has been proposed by various people at various times—an Atlantic free trade area which would ultimately include the E.E.C. as a member. There is nothing against the E.E.C. as a unit becoming a member of a larger, looser organization. The E.E.C. is a tight economic unit, or is trying to become one, and the other members of the North American Atlantic community could be members of a free trade community of which the E.E.C. was also a member.

The idea was to find out what Britain's reaction would be to the setting up of such an organization which would include Britain, the U.S.A., the other E.F.T.A. countries, and the E.E.C. when ready.

I should point out parenthetically that such an idea has the advantage that it would give the initiative to those of us who have been waiting over the last few years for the E.E.C. to do something about the Kennedy round. It has certain political advantages, but it should be something that is not anti-E.E.C. nor something that should exclude the possibility of Britain's entering the E.E.C. The idea also, I might explain, does not exclude Britain's becoming a part of the closer organization. It is simply that as a first step we move in the direction of strengthening the British economy as well as our own, and putting Britain in a better bargaining position when she comes to join the E.E.C.

These were the background ideas we threw out to see what kind of a reaction they got. I spoke to members of one of the two principal political parties—the Conservative party. I attempted to get in contact with a representative of the Labour government, and it was only for reasons that were personal in the circumstances that I did not. But, we talked to newspaper men, to industrialists, to private researchers, and to Government officials.

Now, a striking feature of their reaction was that they did not think that a North Atlantic trading area would present them with economic problems. Of course, it would present them with challenges, and put a lot of their industry under pressure, but that is what they want now. They do not feel it would present them with any overwhelming economic problems, and it would be in many ways a substitute for membership in the E.E.C., especially if there was little likelihood in that coming about in the near future.

Of course, the politics of the situation is another matter. We do not know what all the political implications of such an initiative would be but I would say that the British public officials and others to whom we spoke did not feel these were such as to exclude this as an interesting possibility. The main question that they asked was the same thing that you and I would ask namely, Will the United States be so bold as to try such a scheme? This was really the key question.

Senator GROSART: Professor English, would this not expand the so-called free trade area perhaps in the E.E.C., perhaps of the North American countries? Does this not really just raise another tariff wall and extend it further against

the rest of the world? Would not this kind of thing put us in the position of a white free trade area against the rest of the world?

Dr. ENGLISH: I am very glad you raised that point because I think it is one of the most important points. Nothing of this kind should ever be attempted if it had that effect.

Senator GROSART: What other effect could it have?

Dr. ENGLISH: I am coming to that. The demands of the developing countries including the developing Commonwealth are very important and are only likely to be met by the developed world in the degree that will satisfy the developing countries if we act together; and the idea of an Atlantic community of developed countries carries with it the idea of unilateral concessions to the developing world.

Senator GROSART: Do you think it is possible that instead of widening the gap between the have and the have-not peoples in the world as has happened during say the past 25 years it is possible we may reverse the trend and start to narrow the gap or find means by which that can be done? To my way of thinking this is the most important problem in the world today.

Dr. ENGLISH: I agree. I think this is the crucial problem both economically and politically; and I would say that I would never put forward trade policy as a panacea for the solution of that problem. I would only say that it is a very important element in the solution because as has been discovered in the last decade that aid is not sufficient. Obviously a population policy is also a very important part of the problem in some of the developing countries.

Senator GROSART: Of whose problem?

Dr. ENGLISH: Of the developing countries. It is very hard for us, in view of certain features of our own attitudes and legislation, to do much about that. However, on the trade side they can use their aid resources much more effectively if we have an appropriate trade policy.

The CHAIRMAN: Senator MacKenzie?

Senator MACKENZIE: Mr. Chairman, we are not going to solve all the problems of the world this morning. I think it would be useful to concentrate on one or two, and I would suggest, in view of what our guest has said, that we might consider the advantages to Britain of membership in the E.E.C. and whether those advantages, if any, would in a sense justify temporary sacrifices on our part, believing that the long term effect on the E.E.C. and Britain would be beneficial to us.

You made mention of the possibility of trade relationships between Canada and the Caribbean. A conference is to take place within the next few months in which the Canadian Government and these countries will meet. It would be most interesting, and I think appropriate, if this committee gave some thought to what practical measures could be taken to extend and expand our trade with the West Indies. I myself would be happy if we could confine our discussions to at least those two areas of immediate interest; because from what you said earlier, the E.E.C. is not likely to happen today or tomorrow as far as Britain is concerned. The West Indies might be the most fruitful and subject to explore.

The CHAIRMAN: Senator Gouin?

Senator GOUIN: Mr. Chairman, I share Dr. MacKenzie's opinion that the British West Indies is, so to speak, an ideal sample for us to study what can be done on a rather limited scale; because if we try to embrace the whole world, I am afraid we shall not be able to go very deeply into the subject. I think we should begin by a study of what would be the effect of Great Britain joining the E.E.C., and then the relationship with the British West Indies.

The CHAIRMAN: Perhaps I should say that before this meeting commenced I had a discussion with Dr. English on this very point, and we had agreed that this was an area where we could have a concentrated study. Would you care to make a brief statement in regard to the Caribbean situation, Dr. English? First of all I think Senator Hugessen wishes to say something.

Senator HUGESSEN: Mr. Chairman, I had exactly the same idea as Senator MacKenzie. I was greatly interested in Professor English's opening statement, and I think he is perfectly right that as regards the E.E.C. it will take a very long time before Britain enters, if indeed she does so. I have just returned from England, and it seems to me that it would be a long process. In the meantime, we can not do anything about it.

I am more interested in the possibility of better trade relationships between Canada and the Caribbean countries, some of which are developing economically quite well. However, it does not seem to me that it would hurt us at all to make a trade liberalization agreement with those West Indian countries.

What is happening in the West Indian countries at the moment is that they are developing new industries, but it is unlikely that those industries could compete with ours. I think they are almost entirely devoted to supplying their own needs. I am thinking, for instance, of Jamaica and the new cement industry there. So far as I gather, the cement industry in Jamaica is entirely engaged at the moment in a plentiful supply of the needs of the local market. So that the fact that we might make an arrangement with those countries would not necessarily involve any great sacrifice on our part, although it would be a step in the right direction.

I would like Professor English to expand a little on that idea of closer trade relationships and agreements with the Caribbean countries, because it seems to me that the Caribbean countries and Canada are more or less complementary in regard to what we have to sell and what they have to sell.

Senator GROSART: Dr. English, can you tell us what percentage of our total trade is with the Caribbean?

Dr. ENGLISH: It is extremely low in percentage. The whole Commonwealth outside of Britain is less than five per cent. The eastern hemisphere, including British Guiana and the Falkland Islands, according to figures of exports in 1965 which I have before me, come to a total of about \$90 million out of our total trade. Out of an amount of \$7 billion or \$8 billion, it is a very low percentage.

Senator GROSART: One per cent.

Dr. ENGLISH: That is right.

Senator GROSART: What is our balance of payments position?

Dr. ENGLISH: I would have to check concerning that, because I have not those figures before me.

Senator GROSART: Is it a deficit position?

Dr. ENGLISH: It is pretty well balanced, I think. The only figure I have relates to the whole western hemisphere. I can check the other for you. I do not think that in itself, of course, is terribly important. When it is a very small part of our trade, whether it is a deficit or otherwise does not matter too much.

Senator GROSART: I agree entirely. In fact, I would be in favour of our carrying a heavy deficit if it would help those countries.

Dr. ENGLISH: Of course, bauxite from Jamaica is a very important ingredient of our industry.

In order to conclude my point about E.E.C. British relationships, I must say that I as an individual have done more work on our basic competitive position as a country and our trans-Atlantic and Canadian-U.S. positions than on Canada-West Indies relations.

There is only one point I would like to make about the British relationship with E.E.C. We speak of British advantages in E.E.C., and I think that in the long term it would be very important, if Europe becomes unified, that Britain should participate. However, I think there are many people in Britain who over-state the possible British influence politically on the continent. After all, France and Germany are now restored economically and their economic strength would give them a very great voice in European affairs.

Senator HUGESSEN: And Italy.

Dr. ENGLISH: And Italy. It seems a little wishful thinking on the part of any one of those countries to think it can long be a leader of Europe in the present context. Now, if some continental attitudes involving East-West relationships in Europe become more important, and the United States and China become the poles, as it were, Russia could become the leader of a more united Europe. This is something that should give us pause about the role of Britain in Europe.

However, those are very broad political questions which cannot be answered. The important thing is, I feel, and I am sure many others feel the same, is that Britain's chance of being an important part of the European community in its larger sense, will be much greater if Britain's economy can be restored. If Britain goes in, in the near future, before her economic position is restored, the price of her admission will be very high, undesirably high, from the point of view not only of Britain but of ourselves.

Therefore, if there are policies which we can adopt to strengthen the British economy, and if these involve British participation in another kind of grouping, in the next few years, then I think we should seriously consider that alternative. We can help to strengthen Britain's position in Europe, if we are prepared to go along with initiatives that would have to come both from us and from Washington.

Senator GROSART: Before you leave that point, could I ask you one question. Would you relate the position of what I call the French commonwealth or community of nations to the E.E.C., to the possible position of the British Commonwealth of nations, particularly Canada, if Britain went into the E.E.C. Would it have any effect broadly on some of the French community nations?

Dr. ENGLISH: I think the attitude of the European community towards these relationships is such that while they would be happy to accept many of the British developing countries, there would be very little likelihood of their accepting the developed countries of the Commonwealth. That is the first point. They have already made a deal with Nigeria. There is a great deal of interest in Trinidad. I am told, in joining the E.E.C. as an associated overseas territory. How far can this go before we can begin to ask questions of how much are we excluded from the trading world?

Senator GROSART: That is exactly my point.

Dr. ENGLISH: There is time for an initiative of some kind. The West Indies is one kind of initiative and there may be other kinds of initiatives. We cannot afford to sit by and let those people who have their own kind of initiative, working for themselves, make all the forward steps in trade policy. I do not say this with any antipathy to what the E.E.C. is doing. They have initiated some very positive and valuable ideas. But if it becomes one big block and the countries of North America are excluded, it is not in our interests.

Our only choice then would be a purely North American common market. I do not think this alternative warrants all the fears some people have expressed, but I think it is something that should be regarded as second best. If we can have a larger relationship in the first place, it should be our first preference.

Senator GROSART: Do you then foresee the world in a whole series of so-called free trade areas, but which are actually tariff blocs? Is this the development you are suggesting is likely to happen?

Dr. ENGLISH: I would not like to predict that this would happen. I think that, if you have very large blocs and if there are important relationships between them, they may well be able to reduce the barriers between them more effectively as blocs than they can as individual countries, so I would not like to set that up as something to be afraid of. On the other hand, I think that, if we get into that kind of route towards international economic integration, we want to be in a strong position rather than in a weak position in the bargaining process as it goes on. I have often quoted Professor Jan Tinbergen, the Dutch economist, who has said there may be a regional means to the multilateral end. This is well worth thinking of. He is a Dutchman, and the Netherlands is part of the E.E.C. He sees it as a positive force for trade liberalization. I think this is well worth exploring.

The CHAIRMAN: There is another meeting at 11.30 a.m. I wonder if Dr. English, before we conclude, would spend three or four minutes in discussing or considering the Caribbean. Would you like to give us your views for instance with regard to the prospects, as to what might happen at this conference this summer between Canada and those countries?

Dr. ENGLISH: What I think would be most prudent for me to do on that is to promise you some further evidence on the subject. For one thing, the Canadian Trade Committee, which is meeting next week, will be receiving a draft study on Canada-West Indies relations at that time. I would like to be able to offer you that material, even before it is published, if I can get permission from the Canadian Committee to do this, and I do not think this will provide too many difficulties.

The draft that we now have is largely descriptive of the trade relationship and some of the problems it gives rise to.

I have with me a graduate thesis from McGill University, which I was allowed to look at, and which I consider to be a very interesting and useful document on this subject, because it talks about the meaning of British preferences to the West Indies. There are some valuable calculations there on this significance of British preference in the West Indies. The conclusion which this work comes to—and it was done under the guidance not only of McGill University but of the University of the West Indies—the conclusion is that some of the colonies would experience serious disadvantage from the elimination or reduction of preferences, notably the Windward Islands, the Leeward Islands; to a lesser extent, but an important extent, Jamaica and British Guiana; to the least extent, Trinidad and British Honduras.

Putting two and two together, I suspect this is one of the reasons why Trinidad may be quite interested in the E.E.C. idea, because the main way in which they would suffer from the loss of British preference would be the indirect effect of other countries in the West Indies losing their preferences and not being able to buy as much from Trinidad.

Senator GROSART: Would you care to comment on the position Canada is said to have taken at the Geneva Conference of 1964 in the matter of preferences from developing countries? It annoyed the West Indies very much. I was down there and heard a lot about it. Canada, in effect, said: "Do not get into this preference business; we got into that ourselves years ago and we are still trying to live with it." That is the economic position Canada is said to have taken with the West Indies.

Dr. ENGLISH: I think the idea of extending preferences has been resisted by both Canada and the United States, because they felt that preferential systems in the past have been systems for diverting rather than creating trade. In fact,

there is evidence in support of that view. What I think we have to do in evaluating preferential schemes is to ask the question, are they the best way of assisting the economic development of the countries, the most politically feasible way of assisting their economic development; or is there an alternative that does not have these other dangers? The kind of alternative which is embodied in the GATT agreement, which does not have these other dangers in the view of those who set up GATT, is a free trade area or customs union, and the reason why they made that exception in article 23 of GATT is that if a country is prepared to go the whole way rather than part way, then it was a symbol of their intention to persevere and develop trade within the countries, the regional group. In so far as the regional group did develop effectively by this process, it could then move towards elimination of its external barriers against the rest of the world.

Now, this is the kind of argument that is implicit in the GATT acceptance of the free trade area concept. United States and Canada are GATT countries by tradition, and they have argued along these lines more strongly than other countries. Developing countries have said already that they would be happy if we could work out free trade access for them in our markets, and they would not be as unhappy if we insisted upon doing this while moving toward free trade with developed countries as well. There are several other ways to arrive at preferences. One is by devaluation. Some of these countries have overvalued currency, and if you permit them free access to our markets on the basis I have mentioned, they would have preferences in our markets. That is a little complicated, but it is in fact one way of getting preferences. However the point about preferences we have to watch out for is that they were asking for preferences which implied we would have to maintain our present tariff level vis-à-vis the United States; but for so many of our industries these are no longer desirable.

Senator VIEN: You do not see a solution to this problem in the immediate future, do you?

Dr. ENGLISH: Canada-United States?

Senator VIEN: Yes.

Dr. ENGLISH: Of course one cannot be very specific about this, but I think that it is not outside the range of possibility. It is not outside the range of possibility that in the post-Kennedy Round era the United States will move to some new form of initiative.

Senator VIEN: Not probability but a possibility. Because Mr. Wilson after the election mentioned with regard to the common market that all Commonwealth countries would come in with him and the continental powers held that he would have to adhere to the Treaty of Rome, and that will remain a conflict. The solution of that problem does not seem to be apparent in the foreseeable future.

Dr. ENGLISH: That is right. I would even venture that in comparing probabilities there is more probability of a new United States initiative than there is of Britain gaining entry into E.E.C. in the near future. I may be getting out on a limb by saying this, but I think this is my evaluation of the present probabilities.

Senator VIEN: I was talking about it 10 or 15 days ago with a particular diplomat and he said "Your solution in Canada is not to enter the common market via Britain; it is to have a common market of your own in North America." I said that would entail our political independence and economy and that I did not believe public opinion in Canada would welcome anything of this kind at this moment. He said "You will be compelled to do this by the law of attraction."

Dr. ENGLISH: I cannot avoid making a remark on that. We are asking some of our research people on our Atlantic Economic Studies Program to look at the question of what would be the implications for other Canadian policies of a move towards free trade. The risk to political independence involved in a reduction of trade barriers is one topic on which very little research has been done in the past. We tend to assume that removal of trade barriers will undermine our political independence. I think one can at least raise doubts about that. I call it a neo-Marxist attitude because it tends to the thinking that economic policies lead automatically to political positions. I deny that on principle.

Senator MACKENZIE: Dr. English, has not a Canada-United States body done some work on that?

Dr. ENGLISH: Yes. I think it is very important to examine further the questions and implications of trade policy so far as other policies are concerned and what has been done so far is an examination of the kinds of institution that would be involved in a Canada-United States relationship. But I do think we need to do more work on this other more complex question before we can say what danger there could be in the idea. There may be some. Let me give one other illustration. Look at the E.E.C. They set out to form a close economic union. They have had difficulties in bringing it about even though they have free trade. They have not been able to move in the way they intended. The difficulties in co-ordinating transport and other policies have been such that they have not achieved economic union even though they were willing to do so. If we want to have only free trade advantages and to keep our own national identity, I don't think we would necessarily have great difficulty in achieving that. But I don't think that enough research has been done on this question yet.

The CHAIRMAN: I think the time has come to adjourn this committee because there is a meeting of the Finance Committee at 11.30. Before doing so I want to express our very grateful appreciation to Dr. English for having been with us today.

Senator GROSART: I would suggest if it would fit in with your arrangements that we ask Dr. English to come back again.

The CHAIRMAN: That is a very good idea, thank you.

The committee adjourned.

*First Proceedings on the Inquiry into Commonwealth Relationships,
with particular reference to the position of Canada within
the Commonwealth*

THURSDAY, MAY 26th, 1966

WITNESS:

*Canadian Institute of International Affairs: John W. Holmes,
Director General.*

ROGER DUKAKIS, P.B.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966



First Session—Twenty-seventh Parliament

1966

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING COMMITTEE ON
EXTERNAL RELATIONS

The Honourable G. S. THORVALDSON, *Chairman*

The Honourable L. M. GOUIN, *Deputy Chairman*

No. 2

First Proceedings on the Inquiry into Commonwealth Relationships,
with particular reference to the position of Canada within
the Commonwealth

THURSDAY, MAY 26th, 1966

WITNESS:

Canadian Institute of International Affairs: John W. Holmes,
Director General.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966



THE SENATE OF CANADA

THE STANDING COMMITTEE ON EXTERNAL RELATIONS

The Honourable G. S. Thorvaldson, *Chairman*

The Honourable L. M. Gouin, *Deputy Chairman*

The Honourable Senators

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| Benidickson, | Inman, |
| Blois, | Jodoin, |
| Boucher, | Macdonald (<i>Brantford</i>), |
| Cameron, | MacKenzie, |
| Cook, | McLean, |
| Crerar, | O'Leary (<i>Carleton</i>), |
| Croll, | Pouliot, |
| Farris, | Quart, |
| Fergusson, | Rattenbury, |
| Flynn, | Roebuck, |
| Fournier (<i>De Lanaudière</i>), | Savoie, |
| Gouin, | Smith (<i>Queens-Shelburne</i>), |
| Grosart, | Taylor, |
| Haig, | Thorvaldson, |
| Hayden, | Vaillancourt, |
| Hnatyshyn, | Veniot, |
| Hugessen, | Vien, |
| | Zuzyk—(35). |

Ex officio members: Brooks and Connolly (*Ottawa West*).

(Quorum 7)

THURSDAY, MAY 26th, 1966

WITNESSES:

Canadian Institute of International Affairs; John W. Holmes,
Director General.

ROOMS DUMAS, P.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

MINUTES OF PROCEEDINGS

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 9, 1966:

"The Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Hnatyshyn:

That the Standing Committee on External Relations be authorized to inquire into the question of Commonwealth relations with particular reference to the position of Canada within the Commonwealth;

That the Committee have power to send for persons, papers and records, and to sit during sittings and adjournments of the Senate;

That the evidence received and taken on the subject at the preceding session be referred to the Committee; and

That the Committee be instructed to report to the House from time to time.

After debate, and—

The question being put on the motion, it was—
Resolved in the affirmative."

Frank A. Jackson,
Clerk of the Committee

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, May 26, 1966.

Pursuant to adjournment and notice the Standing Committee on External Relations met this day at 2.00 p.m.

Present: The Honourable Senators Thorvaldson (*Chairman*), Benidickson, Blois, Cameron, Croll, Fergusson, Flynn, Fournier (*De Lanaudiere*), Grosart, Haig, Hnatyshyn, Hugessen, Inman, McLean, MacKenzie, O'Leary (*Carleton*), Pouliot, Smith (*Queens-Shelburne*), Taylor and Yuzyk. (20)

The following witness was heard:

CANADIAN INSTITUTE OF INTERNATIONAL AFFAIRS:

John W. Holmes, Director General.

At 3.00 p.m. the Committee adjourned until Wednesday, June 1, at 11.00 a.m. in Room No. 356-S.

Attest.

Frank A. Jackson,
Clerk of the Committee.

Mr. John W. Holmes, Director General, Canadian Institute of International Affairs: Thank you very much, Senator Thorvaldson. To say it is an honour to appear before this group is actually an understatement. I feel it is a great privilege and as I said to Senator Thorvaldson and the members of the steering committee, I think it is tremendously important to the people of this country that this committee should be discussing the important issues of external affairs. It is the sort of thing that can give leadership to opinion in the country unlike any other body. In my position in the Institute of International Affairs we are interested in the general education of the public and are very happy to collaborate with the chairman, and assist in any way. I am particularly interested to come and talk with this committee on the subject of the Commonwealth. I hope I can have some of your views and ideas on this. It is a subject I have been very much interested in for some time and particularly at the present time. It is a subject about which one has to talk very frankly just now, as candidly as possible, and I would like to make a few scattered observations.

I think we have to try to find a new definition of and a new philosophy of the Commonwealth if it is going to persist and have general support. If anyone these days expresses faith in the Commonwealth he is usually accused of wishful thinking. This is probably quite true. It does require wishful thinking to believe in the Commonwealth, for the future of the organization is not by any means certain, but I do not think it is predestined to failure. The assumption that the Commonwealth is predestined to break up or is predestined to succeed

MINUTES OF PROCEEDINGS

THURSDAY, May 23, 1966.

Pursuant to adjournment and notice the Standing Committee on External Relations met this day at 2:00 p.m.

Present: The Honourable Senator Thorvaldson (Chairman), Benoit, Blais, Cameron, Croll, Ferguson, Ryan, Fournier (De la Presse), Grant, Haig, Hnatyshyn, Huggan, Jannan, McLean, Mackenzie, O'Leary (Clerk), Poirier, Smith (Queens-Spencer), Taylor and Yuzyk. (20)

The following witness was heard:
CANADIAN INSTITUTE OF INTERNATIONAL AFFAIRS:

John W. Holmes, Director General.

At 2:00 p.m. the Committee adjourned until Wednesday, June 1, at 11:00 a.m. in Room No. 586-S.

Attest:

Frank A. Jackson,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON EXTERNAL RELATIONS

EVIDENCE

OTTAWA, Thursday, May 26, 1966.

The Standing Committee on External Relations, to which was referred the question of Commonwealth relationships with particular reference to the position of Canada within the Commonwealth, met this day at 2 p.m.

Senator GUNNAR S. THORVALDSON in the Chair.

The CHAIRMAN: Honourable senators, we have a quorum, so for the reason that our time is limited we will proceed immediately with our business.

Our witness today is Mr. John W. Holmes, who presently resides in Toronto and is the Director General of the Canadian Institute of International Affairs. Mr. Holmes has been engaged in the field of external affairs for a lifetime. He is a graduate of Western University, the University of Toronto, and London University, England. He was for many years Assistant Under-Secretary of State. I recall the first time I met him was in 1958 when, as Assistant Under-Secretary of State, he pretty well headed the Canadian delegation at the United Nations. He left the Government service in 1960, and then became director of the C.I.I.A. In my judgment he is one of the most knowledgeable Canadians in the field of external affairs, and in regard to matters he will be talking to us about. Mr. Holmes suggests that he might speak to us for about 30 minutes, and then we would have another 25 or 30 minutes for questions.

Mr. John W. Holmes, Director General, Canadian Institute of International Affairs: Thank you very much, Senator Thorvaldson. To say it is an honour to appear before this group is certainly an understatement. I feel it is a great privilege and, as I said to Senator Thorvaldson and the members of the steering committee, I think it is tremendously important to the people of this country that this committee should be discussing the important issues of external affairs. It is the sort of thing that can give leadership to opinion in the country unlike any other body. In my position in the Institute of International Affairs we are interested in the general education of the public and are very happy to collaborate with the chairman and assist in any way. I am particularly interested to come and talk with this committee on the subject of the Commonwealth. I hope I can have some of your views and ideas on this. It is a subject I have been very much interested in for some time and particularly at the present time. It is a subject about which one has to talk very frankly just now, as candidly as possible, and I would like to make a few scattered observations.

I think we have to try to find a new definition of and a new philosophy of the Commonwealth if it is going to persist and have general support. If anyone these days expresses faith in the Commonwealth he is usually accused of wishful thinking. This is probably quite true. It does require wishful thinking to believe in the Commonwealth, for the future of the organization is not by any means certain, but I do not think it is predestined to failure. The assumption that the Commonwealth is predestined to break up or is predestined to succeed

cannot be sustained. It is really very much a matter of will at the present time, whether or not those of us who are members of the Commonwealth think the institution ought to be preserved. If we think it ought to be preserved, then I think it can be. It is quite possible it could dissolve in apathy but, on the other hand, if we have the will to do so we can preserve it as a very valuable instrument for maintaining and extending world order.

In a transitional period it has a special function. So I would suggest, to begin with, the proposition that we really need to think wishfully on this subject and also to act wishfully. Of course, there is no doubt that, it could blow up at any moment; it is in a precarious state. Almost any day, next week, prominent African members might withdraw from the Commonwealth and begin the process of disintegration. One reason it is in such a precarious state is that it was never more useful than it is at the present time. It has a function because it is seizing its opportunity and is trying to make itself useful and, in particular, not running away from major world problems. I think that is one of the reasons its position is precarious.

I would like to express a somewhat heretical view. It is frequently stated that in the good old days when the Commonwealth consisted of a much more closely knit group we had international meetings much more useful, successful and intimate, and now with this very large table and with people of very different backgrounds the meetings are not so useful. It is said that with this large number of members, and with people of different backgrounds, the meetings are not so useful. It is said that with this large number of members, and with people of different backgrounds, the meetings are not so useful.

I would like to suggest the opposite. I did, as a junior bag carrier, attend a number of the Prime Ministers' meetings in their more Anglo-Saxon days, and I really do think that in those days there was a strong tendency to leave off the agenda the controversial and the very difficult issues, particularly racial issues. They were frequently discussed behind the scenes at the Dorchester Hotel and elsewhere, but at the meetings and particularly at the United Nations these issues were left off the agenda because they might cause embarrassment. I do not think that is the case today. The new members do not permit it. Therefore, there is much more danger of conflict.

Of course, one always approaches the Commonwealth with a certain bias, and perhaps at this time I should confess my own bias. I have always been interested in the institution, but sceptically, I trust. There are various reasons for this.

Some people will say, perhaps, it is because I am a wasp and the Commonwealth is for wasps. I suggest that this is by no means a valid argument any more. It is unfortunate there has been this tradition of believing that the Commonwealth is for people who are descendants of, or whose ancestors came from, the British Isles. The Commonwealth is, after all, a multiracial fraternity, and if you look at the population statistics you will find that a very small proportion of its membership are of Anglo-Saxon or Celtic origin. The Commonwealth is not something that exists for the benefit of the nobler Anglo-Saxons. If such a position is maintained then it has not a chance.

The fact that I am an historian and not a political scientist may have something to do with my bias. The Commonwealth has no validity to the political scientist. If you know any American political scientists you realize how hard it is to convince them that the Commonwealth has any substance at all. But, it is an historical phenomenon and we should think of it as that. It is not a club. It is a curious thing, which is the product of history. It has been produced. It has adapted itself, and it is relevant in the present day.

Another reason why I take it seriously results from my own experience in the Canadian foreign service to which the Commonwealth has a great deal more reality than it has to the ordinary citizen of Canada. One's very close associations with members of the foreign services of other Commonwealth countries is a very important factor. As many of you know, it is customary in many capitals of the world for regular meetings of Commonwealth representatives to be held, not to formulate policy in any way, of course, but to discuss it. I recall when I was chargé at the embassy in Moscow there used to be regular Saturday morning meetings of the heads of the Commonwealth missions. These were particularly valuable. The Indian ambassador had certain contacts upon which she used to report, and other people had certain views expressed to them which they used to report. Our discussions at these meetings were within a certain framework of reference and political ideas that we had in common.

This was particularly useful for Canada. When the Commonwealth was enlarged at just about the time we were moving into a new phase of our foreign policy after the last war, and when we were branching out as a middle power in the world, we needed close friends and confidants. There developed at that time this particularly close relationship with India. Some Canadians may think of that in terms of Canada's being kind to the poor Indians. As a matter of fact, the benefits that we got out of that close diplomatic liaison with the most powerful country in Asia, which was the diplomatic leader of the new countries, were something quite extraordinary, and it is still something from which we benefit.

While I was preparing to come down here I tried to find something worthy of such an audience. I looked back over some articles I wrote and speeches I had made on the Commonwealth a couple of years ago, but I am happy to say I decided to discard them because they were not relevant. They were too pessimistic. About two years ago the *Times* of London asked me to write an article about the future of the Commonwealth. I had a look at that. At that time I was particularly concerned about the apathy about the Commonwealth. It seemed to me it was pretty clear it was going to dissolve without much pain. What convinced me most of that was the fact that although I wrote a rather provocative article, I received only one letter. Incidentally, my main argument was that it might well break up, but I thought it would be unfortunate if it did because it still had a role to play. When you write a provocative article in *The Times* and then only one person writes to the editor—I do not think anybody else wrote to the editor—it confirms your view that you are talking about a subject in which not many people were interested.

This has changed, I think, over the last couple of years. There is a new vitality which has come from a number of things. One of them, of course, is the fact of the last two or three Prime Ministers' Conferences in London. They have been notable occasions. They were difficult and dangerous meetings because they were dealing in particular with the very troubled issue of Rhodesia. But, again I think they were coming to grips with things. There was, perhaps, a kind of relief that the Commonwealth, having survived these meetings, might go on.

What is still more important, I think, is the move to create the Commonwealth secretariat. This is rather symbolical. I need not point out to you the curious history of this Commonwealth secretariat over the past few years. Having been a bag carrier at the famous Commonwealth Prime Ministers' meeting in 1944, I recall that the Australians strongly put forward proposals for a Commonwealth secretariat, which proposals were just as strongly opposed by the Canadian delegation. I remember very vividly the attitudes of those days. It is a curious phenomenon that we now have a proposal for a Commonwealth secretariat originating largely with the Africans with the support of Canada, and looked upon with great scepticism by the British and even greater

scepticism by the Australians. This has been a curious change. On the other hand, of course, it is a new concept. I shall not say very much about it because I think you will be listening to the Commonwealth Secretary General himself in a few days. This is a very different concept from those of 1944 which, although noble, were impossible.

The idea of a Commonwealth, which in fact spoke with a united voice in the world with the secretariat as the means of achieving it was, I think, a noble idea. It would have been splendid to think of a great power in the world today consisting of African, European and Asian peoples speaking in unison, able to stand up with the great giants of the world, but it was never a practical possibility and would not have worked.

Under the circumstances, even though I myself think Mr. King was probably right for the wrong reasons and also sometimes for the right reasons, I think our position in those days was sound. In other words, we would not have had the Commonwealth if we had set up this exceedingly rigid system. The Indians and Pakistanis would never have stayed in an organization of that kind and the whole development and fulfilment of the Commonwealth idea since that time would not have taken place.

One thing I think we must look at rather frankly is what I may call "the problem of Britain." In the old days there was always the great enthusiasm which radiated from London, with quite frequently reluctant Canadians or Indians or others being brought along. It is strange that today the sentiment is almost reversed. I attend many Commonwealth meetings at which many British people and Europeans are present, and I find that if I use the word "Commonwealth" they regard me with a rather tired and indulgent look as if I were talking about some total unreality. This is a problem.

In some ways there is more enthusiasm for the Commonwealth in Canada today than in Britain. I think we must be as understanding as we can about this. There are many reasons for it and I do not need to point them out. Of course, it is partly due to the tiredness of empire which one finds in Britain as in Europe. There is the spectacle of Germans, Italians and people of other countries, having got rid of their empires, becoming immensely prosperous. This tiredness of empire is notable in London. They are tired of the responsibility. There appears to be a mood of isolationism. Those in Britain who are strongest in their belief that Britain must enter not only economically but spiritually into a united Europe have tended to feel that the tie of the Commonwealth was a great barrier, and therefore they have turned their criticism on the Commonwealth in general. In those circles which are intellectually powerful in Britain, the Commonwealth is viewed as a kind of unfortunate necessity which Britain should get rid of as soon as possible.

The strongest statement of this was probably expressed in a famous article which appeared in *The Times* by Enoch Powell, who described the Commonwealth as a "gigantic farce."

Sometimes also it is thought that Britons, who for years had to go on being nice to some rather tiresome people from the outback of Australia—

Senator O'LEARY (*Carleton*): I thought you were going to add Ireland; but go on.

Mr. HOLMES: They became somewhat bored with being nice, pouring tea, and pouring gallons of whisky into people from the colonies. The mood of rejection is, I think, unfortunate. One does sometimes feel quite unpopular, even as a Canadian now. It is an understandable and difficult mood, which I hope will change.

It is important to remember that the British still have most of the headaches. They are really left with the bits and pieces, and they are the ones

who have to take the ultimate responsibility in Rhodesia, and in other places almost as difficult. It is they that have to try to see that these countries are solvent when they become independent, and they are called upon financially, and they have to worry about the little bits of rocks and islands strewn all over the world which nobody knows what to do with. They are the ones, while trying to get on their feet and to achieve a more rational defence establishment, who have to worry about their commitments east of Suez, in Singapore and Malaysia, as well as other places. They cannot just walk out of those places.

In Canada, I think we must have more understanding because, so far as the Commonwealth is concerned, we derive only profit and benefits which do not cost us very much. It is true that our economic aid program is largely directed towards the Commonwealth; but of course if you look at world populations you realize that every economic aid program is directed toward the Commonwealth, because it happens to include most of the underdeveloped countries of the world, excluding Latin America.

It seems to me that in Britain now one finds a somewhat more balanced view of the Commonwealth than a few years ago. In contrast to the views of the more extreme Europeanists, who want to cut off contact with the Commonwealth and throw their lot in with Europe, the supporters of the Commonwealth are coming to realize that these two things must be complementary in some way.

I think also that not many people now think it is seriously likely that within the near future there will be politically a united Europe. There is more likely to be a Europe *des patries*, as de Gaulle says. So there is less reason to fear Britain's becoming part of a great regional Europe and ceasing to be a member of the Commonwealth.

However, I think in Canada we must realize that the increasing orientation of Britain towards Europe might change its attitude towards us and the rest of the Commonwealth and towards the United States as well.

In any thinking about the future of the Commonwealth one has to try to think sensibly about this business of regionalism. My own view is that too much time is given to the concept of the world becoming great regional or continental blocs which are sort of federal provinces of a world government. I do not think that concept is likely or even attractive, because we do not have many manageable regions of this kind in the world; there are very few of them.

Nevertheless, there are regional attractions. It is frequently said that the Commonwealth is really not very strong, because the component members are more attracted to and more interested in their own regions than in the Commonwealth. This is very true. I think it would be foolish to argue against it. Certainly so far as African members are concerned, in their view there is undoubtedly a higher loyalty to Pan-Africanism, or whatever it is called. It may well be that in Britain there will be a feeling of higher loyalty to a European association. It would be difficult to argue that Canada and Britain have placed their Commonwealth obligations ahead of their NATO obligations. Certainly, our regional pulls here are very strong. We might find ourselves a member of the Organization of American States.

If one argues that loyalty to an interest in the Commonwealth is contradictory to these regional trends, then the Commonwealth is lost. I think we should rather argue that the Commonwealth is in no sense a regional bloc but rather is a counter-regional bloc. One should accept the fact that members have these important and growing associations but that at the same time we do not want the world heading off into continental regions, or even more particularly into racial regions. This is the chief argument for maintaining this special kind of association, which is unique and is not contradictory to those other regional associations, provided members do take their responsibilities and their loyalties, to some extent, seriously.

For instance, I have mixed views—I would not go into them here—about whether Canada should join the Organization of American States. But I certainly do not think that joining that organization along with Trinidad, Jamaica and other countries is necessarily in conflict with our membership in the Commonwealth.

We have to recognize that what we have now is certainly not the old British Empire, nor is it the postwar Commonwealth. We have been moving recently into a new and more active phase of the Commonwealth and as I said, a more dangerous one. We must not keep up any of the old illusions. Many of the ancient aspects of the Commonwealth have departed, but there is quite a bit left.

I will not go into the economics, because you had a very able discussion on that. To consider the Commonwealth an economic unit is an illusion, and it is an illusion which unfortunately plays into the hands of the critics, because there are so many who say that the Commonwealth now has no reality and they point out that it is not an economic reality. Although economic benefits are not the principal justification at the present time, they still are not without significance. If preferences must be looked upon perhaps as vestigial, nevertheless there are trading and financial patterns and habits which are still of importance.

As an instrument of economic assistance, the Commonwealth may have its particular virtue. We have to recognize that one of the reasons many of the new countries opt to stay in the Commonwealth—they do it for many reasons one of which is that they think of it as a club they have taken a long time in joining and once they have joined they take it rather seriously—is some expectation of financial advantage and economic assistance. Of course, if they are not to be disappointed in that, then it is up not only to the British but very much to us as well to see that these hopes are fulfilled.

It is a very long time since the Commonwealth has been a defence unit. Yet there again you cannot write off entirely the defence significance of it. It was the British and Australians, of course, who had to face up to the Indonesian confrontation with Malaya. There was also the curious fact that certain African nations, faced with revolts in their armies, called back the British to help them.

Here is where we come in. The nation which has taken over the place of the British in Tanzania is Canada. This is one of the significant things we have done. Julius Nyerere wanted some other country to help train his forces. The Chinese were only too willing to help. He could not very well ask the British back. He could not ask the Americans because this would look very much like a cold war. So he asked the Canadians. Although we seemed to take quite a long time making up our minds, we have gone to help the Tanzanians, both army and air force. We have been helping the Ghanaians for a long time. This is a significant role we can play, and no country appreciates that kind of action on our part more than a non-Commonwealth country like the United States.

The old idea of a common citizenship of the Commonwealth is gone, although it persists in some ways. The British themselves pretty well ended this concept, by their immigration regulations. I do not imply any criticism of them for doing so. They, too, of course have given up the struggle to have us all labelled as "British subjects," because now they have more and more been using the term "British" for a citizen of what was called the United Kingdom and is now officially called Britain.

Immigration problems of the Commonwealth, of course, are very great and they particularly concern us in our relations with the West Indies.

I might say about two sentences on a very ticklish problem, the relationship of the monarchy to the Commonwealth. This is a place where one needs to think very clearly. Nothing I say would, I hope, suggest that I am making

republican arguments myself. I am not. But I think we have to realize that the question of Canadian relationship to the monarchy is something quite apart from the question of our relationship with the Commonwealth, although these are traditionally and historically entangled. Canada could be a republic and a member of the Commonwealth, just as many other countries are. I am not advocating that it should be. One reason it is important to point this out is that many people in Canada feel that the Commonwealth is nothing much more than a question of relations with the royal family, or of old bilateral relationships with Britain. Many of them who are not particularly enthusiastic about this relationship tend therefore to write off the Commonwealth. These are quite separate things now and I think it is important for us to realize this.

Finally, the thing most important now in the Commonwealth is the tradition consultation. It is so often said, and particularly in Britain rather bitterly, that the Commonwealth means nothing because members of the Commonwealth vote differently at the United Nations and do not agree on a common foreign policy. As has been pointed out, we gave up that idea years ago. You cannot say that the Commonwealth has failed because we do not speak with a common voice. We have not tried to. The point has been to try to reduce differences as much as possible, to increase understanding, and this I think we have succeeded in doing and are doing to a greater extent.

In conclusion, I think it may well be true that the great historical function of the Commonwealth has passed. I don't think this will happen, but it could just disappear, or at least the institutional phase of it could in a sense disintegrate. If it did, I think we could say it had been a very notable chapter in history. During the last 25 years, the period of transition from the world of empires to the world of independent states, the Commonwealth was the framework which made possible the greatest amount of peaceful change in the history of mankind. Just think of the multiplication of Vietnams we would have had all over the world if we had not had the Commonwealth for the transition period. I think the historians of the future will make this a very great chapter. If the Commonwealth ceases to have any institutional significance or if it blends into the United Nations, I think we can still think it was well worth while. I still think myself, because so many of the hard core problems of transition from the old empire—Rhodesia being the primary example—are still with us that we should act wishfully to keep it going as long as possible so that it will be useful.

The CHAIRMAN: Thank you, Mr. Holmes. I said at the outset that after Mr. Holmes made his remarks there would be time for questions, and Mr. Holmes would invite questions from honourable senators.

Senator CAMERON: I just want to make a remark apropos the headaches that Britain has today. Think of the headache it might have had if they had not gotten out of India. The situation would be impossible today.

Mr. HOLMES: I agree.

Senator O'LEARY (*Carleton*): Mr. Wilson, the Prime Minister of Great Britain, says that if he enters or makes application for entry into the Common Market, he will do so on a bargaining basis. That bargaining, I expect, would affect preferences.

Mr. HOLMES: I think so.

Senator O'LEARY (*Carleton*): Should we not be taking steps at the present time to see how the bargaining will affect us? Two or three years ago we took no steps. For some extraordinary reason every newspaper in the country said "Let poor old Britain go in any way she has to, and to hell with some of our preferences." As a matter of fact Mr. Eden, abetted by some of his friends and

some people in Canada, played down preferences generally throughout the Commonwealth. It appears that this is going to be repeated all over again. Are we taking any steps in Canada to see how Commonwealth preferences affect us, or whether they affect us at all? I don't know. But it does seem to me that somebody should be saying, "Just a minute before you start bargaining with preferences which affect us; surely you will consult us; we are principals."

Mr. HOLMES: I would agree very strongly. It is an important and indeed a very complex matter. I don't know whether Mr. English touched on it or the substance of it last week.

Senator O'LEARY (*Carleton*): Unfortunately I was unable to be here last week.

The CHAIRMAN: I think we would like to have your comments on this matter because everybody here at the last meeting was interested in this problem.

Mr. HOLMES: I would rather leave it to economists like Mr. English.

Senator CROLL: I was not here last week either, but it strikes me that the question of the entry into the Common Market has now been a matter of debate for a period of two or three years—a debate in which Canada has seen fit not to participate, and the question raised by Senator O'Leary (*Carleton*) has been raised time and time again, and no one seems worried about the preferences that we seem to enjoy or not to enjoy as the case may be. Are they worth while? Is there anything to protest about? I have not heard anything in this country nor have I heard anything about it from Australia.

Senator O'LEARY (*Carleton*): We have heard about it from New Zealand.

Senator CROLL: I did not mention New Zealand—that is different.

Senator O'LEARY (*Carleton*): There was a question raised about it by Mr. McEwen, Secretary of Commerce at the time. But there was no complaint on behalf of Canada.

Senator CROLL: Is there anything to protest about?

Senator O'LEARY (*Carleton*): That is what I want to know. Mr. Wilson said he would have regard for our interests.

Senator MACKENZIE: And Mr. Macmillan said the same thing, that he would have as much regard as possible so far as the interests of others were concerned.

Senator O'LEARY (*Carleton*): But does that mean we should not say anything? Shall we let it go by default? Surely there must be some figures available to give us information on these points.

Senator MACKENZIE: It would be interesting to bring somebody here to give us some economic background to this. I think we are talking about something on which we have insufficient information. I have a question which may not be pertinent, and if it is not you do not have to answer it. I have heard it suggested that what is known as the French community is making overtures, or France is on its behalf making overtures to England to bring it into the E.E.C. Is that French community, particularly the French African community more of a community than the English-language community in Africa?

Mr. HOLMES: It has always been much more tightly tied to France. The French, although these countries are independent, are much more active. They have also been giving a greater amount of assistance, technical and otherwise, and administrative assistance. I think it is much more of a unit.

Senator MACKENZIE: Would this include Algiers, Tunisia and Morocco?

Mr. HOLMES: I don't think so. I was at the Commonwealth Conference in Lagos a few years ago, and the Commonwealth African countries were very much concerned about this. What they feared at that time was that the French

African countries, if they were members of E.E.C., and if Britain belonged to that community, would have had special treatment in the British markets which would not be available to Commonwealth countries.

The whole issue, of course, is so full of paradox and complex things of this kind. There is Nigeria's special relationship with E.E.C. which I really ought not to try to define. I think you should have a good economist do this.

Senator MACKENZIE: In this connection it is my feeling the African colonies of Britain obtained their independence without problems. By and large the French colonies had a good deal of trouble. However, since the changeover—perhaps this is because of the news we get—there seems to be more trouble developing in the former British colonies than in the French-language colonies.

Mr. HOLMES: There is a considerable difference, of course, between the North African countries and those south of the Sahara. Algeria certainly had trouble. I do not think there was very much difficulty in what they call the countries south of the Sahara, the black African French countries. That really went pretty smoothly, but now they are suffering more from Chinese penetration, I think, than the former British countries. For the most part they are smaller, and a good many of them are more primitive. You have had more struggling for leadership, and some of them, like the Congo, have been subject to coups which has pretty close ties with the eastern bloc. Mali was the same. There were two or three coups in French countries just before the ones in Nigeria and Ghana, but Nigeria and Ghana are much more in the public eye and there is much more general world-wide interest in them. That is the difference. But I think they are having troubles and, in some ways, seem to be more vulnerable than the Commonwealth countries.

Senator MACKENZIE: Would you venture a guess as to relative importance of the two blocs?

Mr. HOLMES: This is one of the things we tend to forget. As I have hinted at before in talking about aid to the Commonwealth, many people think this is a policy of exclusiveness on our part, but the Commonwealth includes a large proportion of all the peoples of Asia and Africa. In Africa the Commonwealth includes Nigeria, which has a population almost equal to all the others put together, plus Kenya and Ghana, most of the more populous countries. And French African countries south of the Sahara are less populous and, on the whole, more primitive.

It seems to me that in looking at Canada's policy towards the Commonwealth there is an opportunity for us to take quite an imaginative attitude. This may sound a little like fantasy, but I think one can think in terms of Canada's participating in two commonwealths: The British Commonwealth as we have always known it, which has been an institution; and then, using the term with a small "c", the French-speaking commonwealth—particularly the new countries of Africa and some in Asia where French is still spoken. These are countries that have shown considerable interest in special assistance from Canada. This is a challenge and a source of great interest to French speaking Canadians.

Senator MACKENZIE: Would you expand that a little, as to how much participation French-language Canada is taking in French-language Africa? As you know, a few years ago I had a hand in getting some university people from English-language Canada to go to French-language Canada to get some information, but at that time there was not much evidence of interest by any of us, English or French, in Africa. I was wondering whether it had developed since, to your knowledge.

Mr. HOLMES: My impression is that there is. For instance, I see it fairly closely on the CUSO level, where there is a great deal of interest among French-speaking students.

Senator BENEDICKSON: This talk of a language bloc, has it a beneficial or detrimental effect with respect to the United Nations?

Mr. HOLMES: I think if these blocs did act as exclusive blocs, all voting tightly together in the United Nations as a French language bloc or a Commonwealth bloc, it would be detrimental, but there has never been any indication that they do. You have something of an African group that tends to vote together in the United Nations, but it is not usually a French speaking or English speaking bloc; it is usually Africa generally. Or, if there is a division then it is between the more left wing African countries and the more right wing ones.

I think it is most important that these countries do not develop into separate blocs. This is one place where I think we can help. I know that Government officials and others in Ghana and Nigeria, for instance, are concerned about their isolation from the countries around them because of the difference in language. Cameroon, like Canada, is bilingual, French and English. Nigerian and Ghanaian officials are learning French; some of them have been studying in Canada for this purpose. This is being done in order to break down the old barriers. When one was part of the British Empire and one was part of the French Empire, they barely knew one another. They were different cultures. I think it is in our interest to prevent this gulf from developing between the Francophone communities and the "Anglo-Saxophone" communities.

Senator MACKENZIE: Is there any tendency to extend Swahili as an African language in Africa, or as a native substitute for French and English?

Mr. HOLMES: I cannot speak from first-hand knowledge, but I was asking a distinguished Canadian expert on Africa about that the other day, and he said he did not think so. It was an idea in the minds of many people. It does not extend, of course, into West Africa at all.

Senator McDONALD: Swahili is not spoken in West Africa.

Mr. HOLMES: No, I think it goes only as far as parts of the Congo.

Senator YUZYK: May I draw attention to one of the advantages of Canada's belonging to the Commonwealth. I had an experience in the 18th General Assembly of the United Nations as part of the Canadian delegation. I recall that when we came in at the beginning there was very little or no interest in the Commonwealth. I asked a number of questions, and found out just what you are saying today, namely, that Britain was not interested at all; it was not even interested in the concept at that time. Of course, they were talking about the European Common Market then. Still, we pursued this problem within the delegation itself, and we found that if Canada belonged to the Commonwealth we would have participation in the Security Council once every 18 years. If we were allocated to the European bloc—the tendency at that time was, as you know, towards regions—then we could participate in the Security Council once in 30 years. So, we pursued this matter, since the Commonwealth is not recognized as such in the United Nations. However, there is a gentleman's agreement that the Commonwealth does exist, and I believe at that time the Canadian Government came up with the idea through its ambassador, Paul Tremblay, and finally it got Britain interested in this, and they have continued on the principle that the Commonwealth is still recognized. I do not know what has been the policy since, but it is something worth thinking about.

Mr. HOLMES: I think it has gone now.

Senator YUZYK: It has gone?

Mr. HOLMES: Yes, subsequently in the informal reallocation of seats in the Security Council the concept of a Commonwealth seat has now disappeared. It was unfortunate from our point of view, I think, in many ways. However, it was a little difficult to sustain, in that the gentleman's agreement went back to the period of 1945 when there was a different membership, and when to have a seat for Australia, Canada, New Zealand—and South Africa, technically speaking—and a few others, was a rational allocation, particularly having regard to the relative importance of Canada and Australia at that time. But now with so many members, and with the Asian and African countries themselves preferring to be on an Asian or African roster, such a concept is pretty hard to sustain.

Senator BENEDICKSON: Are the Asian-African people not giving preference to regional membership rather than to Commonwealth association?

Mr. HOLMES: Yes, I think this is true.

The CHAIRMAN: Senator Grosart?

Senator GROSART: I should really call on Professor MacKenzie, because he taught me international law many years ago.

Senator MACKENZIE: Do not blame me.

Senator GROSART: He should really speak about Canadian participation in the affairs of the French community in French Africa. However, is it not a fact that that community is now officially included in our aid program?

Mr. HOLMES: Yes, the French community. I think this is a step in the right direction; it is a very good idea. It is bound to take quite a long time to develop partly of course not so much because of the government in Paris, but some French officials in Africa have not been very enthusiastic about this.

Senator SMITH (*Queens-Shelburne*): Of which country are you speaking?

Mr. HOLMES: I cannot specifically point to any one country. My impression is that this is true of a number of French speaking countries of Africa, of which there are 12 or 13

It takes quite a bit of exploration in these countries before you can set up an intelligent and sensible aid program, and it is bound to develop slowly. Of course, we have not had diplomatic representation in most of these countries. After all, there was not really very much we could do while they were still part of French Africa. One was not made very welcome. The French looked after things, and did well in a paternal fashion.

Senator SMITH (*Queens-Shelburne*): May I add something to what you have said? I had an interesting conversation last winter with a friend who is a consulting engineer. During the past year he was going back and forth to Paris trying to sell engineering services for use in mining development and smelter design in one of the French-controlled West African countries. He told me that one of the greatest things Canada can do in order to get a foothold in that part of the country, and to further our economic and political interests, is to get hold of French speaking engineers, to go in with the designing companies of Vancouver and get an organization started and show them how to develop and operate the smelters which they would design. He said he had taken the matter up with French speaking people in Canada, and learned that it would not even be possible because of the shortage of French speaking engineers in our own country, and particularly in the Province of Quebec.

He was very strong on the general principle that engineers are the greatest ambassadors in the world because in the underdeveloped countries like West Africa, for instance, the engineers had taught them how to improve their

standard of living by assisting them in their mining development, and so on. My friend told me that those people have a lasting debt of gratitude, which has built up a vast amount of good will. Have you ever heard that subject discussed?

Mr. HOLMES: People who have had a great deal to do with regard to the Warsak development in Pakistan would confirm that. I suppose within these French speaking countries—and I am not speaking of something I know much about—their economic life would to a considerable extent be dominated from Paris, at least, from Europe, and it might not be easy for Canadian companies to find an opening.

Senator SMITH (Queens-Shelburne): May I say that one of my friend's strong points was that the work of designing engineers of a mining or smelting development is followed by their recommendations. He told me that France has not the equipment, and that they have to go to North America for it. My friend's company was one of the most important, and he was highly elated at that, because he hoped that some of the orders would flow to Canadian manufacturers.

The CHAIRMAN: Thank you, Senator Smith. I wish to express very sincere appreciation to Mr. Holmes for coming here. The meeting is adjourned.

The committee adjourned.

Mr. Holmes: Yes, the French community in Africa have not been very enthusiastic about this. It is a very good idea. It is found to take quite a long time to develop partly of course not so much because of the government in Paris, but some French officials in Africa have not been very enthusiastic about this.

Senator SMITH (Queens-Shelburne): Of which country are you speaking? I cannot specifically point to any one country. My impression is that this is true of a number of French speaking countries of Africa of which there are 12 or 13.

It takes quite a bit of exploration in these countries before you can set up an intelligent and sensible aid program, and it is bound to develop slowly. Of course we have not had diplomatic representation in most of these countries. After all, there was not really very much we could do while they were still part of French Africa. One was not made very welcome. The French looked after things and did well in a general fashion. I am sure you would not have had the same success in getting a program of development. May I add something to what you have said. I had an interesting conversation last winter with a friend who is a consulting engineer. During the past year he was going back and forth to Paris to sell engineering services for use in mining development and similar design in one of the French-controlled West African countries. He told me that one of the greatest things Canada can do in order to get a foothold in that part of the country, and to further our economic and political interests is to get hold of French speaking engineers to go in with the designing companies of Vancouver and get an organization started and show them how to develop and design the mines which they would design. He said he had taken the matter up with French speaking people in Canada and learned that it would be even be possible to get the services of French speaking engineers in our own country and particularly in the Province of Quebec.

He was very strong on the general principle that engineers are the greatest ambassadors in the world because in the underdeveloped countries like West Africa, for instance, the engineers had taught them how to improve their



First Session—Twenty-seventh Parliament

1966

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING COMMITTEE ON
EXTERNAL RELATIONS

The Honourable G. S. THORVALDSON, *Chairman*

The Honourable L. M. GOUIN, *Deputy Chairman*

No. 3

Third Proceedings on the Inquiry into Commonwealth Relationships,
with particular reference to the position of Canada within
the Commonwealth

THURSDAY, JUNE 9th, 1966

WITNESS:

Department of Commerce: Office of Trade Relations, A. W. A. Leue,
Director, Section II.

ROGER DURANEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

standard of living by making them in their mining development, and so on. My friend told me that these people have a lasting debt of gratitude, which has built up a very special of good will. Have you ever heard that subject discussed?

Mr. HOLLAND: People who have had a great deal to do with regard to the Yukon development in Pakistan would confirm that. I suppose within these French speaking countries—and I am not speaking of something I know much about—their economic life would to a considerable extent be dominated from Paris, at least from Europe, and it might not be easy for Canadian companies to get on against.

Senator SMITH (Queens-Shelburne): May I say that one of my friend's strong points was that the work of designing engineers of a mining or smelting development is followed by their recommendations. He told me that France has all the equipment, and that they have to go to North America for it. My friend's company was one of the most important, and he was highly elated at that, because he hoped that some of the orders would flow to Canadian manufacturers.

The CHAIRMAN: Thank you, Senator Smith. I wish to express very sincere appreciation to Mr. Holmes for coming here. The meeting is adjourned.

The committee adjourned.



First Session—Twenty-seventh Parliament

1966

THE SENATE OF CANADA
PROCEEDINGS
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EXTERNAL RELATIONS

The Honourable G. S. THORVALDSON, *Chairman*

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WITNESS:

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ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966



First Session—Twenty-seventh Parliament

1966

THE SENATE OF CANADA

PROCEEDINGS

OF THE

THE STANDING COMMITTEE ON EXTERNAL RELATIONS

The Honourable G. S. Thorvaldson, *Chairman*

The Honourable L. M. Gouin, *Deputy Chairman*

The Honourable Senators

Benidickson,	_____	Inman,
Blois,		Macdonald (<i>Brantford</i>),
Boucher,		MacKenzie,
Cameron,		McLean,
Cook,		O'Leary (<i>Carleton</i>),
Croll,		Pouliot,
Farris,		Quart,
Fergusson,	_____	Rattenbury,
Flynn,		Roebuck,
Fournier (<i>De Lanaudière</i>),	3	Savoie,
Gouin,		Smith (<i>Queens-Shelburne</i>),
Grosart,	_____	Thorvaldson,
Haig,		Vaillancourt,
Hayden,		Vien,
Hnatyshyn,		Zuzyk—(31).
Hugessen,		

Ex officio members: Brooks and Connolly (*Ottawa West*).

(Quorum 7)

THURSDAY, JUNE 23, 1966

WITNESSES:

Department of Commerce: Office of Trade Relations, A. W. A. Lane,
Director, Section II.

ROBERT DUNHAM, P.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

MINUTES ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 9, 1966:

"The Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Hnatyshyn:

That the Standing Committee on External Relations be authorized to inquire into the question of Commonwealth relations with particular reference to the position of Canada within the Commonwealth;

That the Committee have power to send for persons, papers and records, and to sit during sittings and adjournments of the Senate;

That the evidence received and taken on the subject at the preceding session be referred to the Committee; and

That the Committee be instructed to report to the House from time to time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

STANDING COMMITTEE ON EXTERNAL RELATIONS THURSDAY, June 9, 1966.

Pursuant to adjournment and notice the Standing Committee on External Relations met this day at 10.00 a.m.

Present: The Honourable Senators Thorvaldson (*Chairman*), Benidickson, Blois, Cameron, Cook, Croll, Fergusson, Flynn, Fournier (*De Lanaudière*), Gouin, Grosart, Haig, Hnatyshyn, Hugessen, Inman, MacKenzie, Pouliot, Smith (*Queens-Shelburne*), Vaillancourt and Yuzyk. (20)

The following witness was heard:

DEPARTMENT OF COMMERCE: (Office of Trade Relations),

A. W. A. Lane, Director, Section II.

At 11.05 the Committee adjourned to the call of the Chairman.

Attest.

Patrick J. Savoie,
Clerk of the Committee.

Erratum: No. 2 Proceedings, on the Title page, should read "Second Proceedings on the Inquiry into Commonwealth Relationships".

A. W. A. Lane, Director, Section II, Office of Trade Relations, Department of Trade and Commerce: Thank you, Mr. Chairman. I thought it might be useful to start out with a little general background about the West Indies and their economics. There are a number of things that stand out when one looks at the West Indies or, as the area is frequently called these days, the Commonwealth Caribbean. First, I think it is the relatively small population distributed among a considerable number of widely scattered islands, and two territories in Central and South America. Their total population is under 4,000,000, in other words, only about one-fifth of that of Canada.

The largest political unit, Jamaica, has only 1,750,000 people, and the smallest, the British Virgin Islands, has no more than 7,000.

There are some 14 separate political units in the Commonwealth Caribbean. Ten of them formed the West Indian Federation in 1958 but it was dissolved three years later when Jamaicans voted in a referendum to withdraw from it. Three of these territories—Jamaica, Trinidad and Guyana, formerly known as British Guiana—have become fully independent countries within the Commonwealth. A fourth, Barbados, is expected to reach independence later this year.

While the former members of the West Indian Federation still co-operate in certain fields, the plans for a customs union among these ten territories were abandoned when the federation came to an end five years ago. Three of them—Barbados, Antigua and Guyana—recently announced that they are going to set up a free trade area, and this is just getting under way now. The others are separate trading units, each managing their own customs tariffs and applying duties to goods from one another as well as to those from outside countries.

There is relatively little trade between the countries of the Commonwealth Caribbean and this of course is usually because most of them produce largely the same kind of goods.

MINUTES OF PROCEEDINGS

Thursday, June 9, 1955

Pursuant to adjournment and notice the Standing Committee on External Relations met this day at 10:00 a.m.

Present: The Honourable Senators Thorvaldson (Chairman), Benoit, Blais, Cameron, Cook, Croft, Ferguson, Flynn, Fournier (Deputy Chairman), Gouin, Grossart, Haig, Hnatyshyn, Huggessen, Inman, Maclean, Poirer, Smith (Queens-Shepworth), Vaillancourt and Yoxley (30)

The following witness was heard:

DEPARTMENT OF COMMERCE (Office of Trade Relations),

A. W. A. Lane, Director, Section II.

At 11:05 the Committee adjourned to the call of the Chairman.

Attest:

Patrick J. Savoie,
Clerk of the Committee.

Exhibit: No. 2 Proceedings, on the title page, should read "Second Proceedings on the Inquiry into Commonwealth Relationships."

THE SENATE

STANDING COMMITTEE ON EXTERNAL RELATIONS

EVIDENCE

OTTAWA, Thursday, June 9, 1966.

The Standing Committee on External Relations, to which was referred the question of Commonwealth relationships with particular reference to the position of Canada within the Commonwealth, met this day at 10 a.m.

Senator GUNNAR S. THORVALDSON in the Chair.

The CHAIRMAN: Honourable senators, before introducing our witness of today, I want to present to the committee a new member of the committee's branch, Mr. Patrick J. Savoie. I wish you a happy time with the committee's branch, Mr. Savoie.

Honourable senators, our witness today is Mr. A. W. A. Lane, Director of Section II of the Office of Trade Relations, Department of Trade and Commerce. In that office he has responsibilities for trade relations with Commonwealth countries as well as with other parts of the world. Mr. Lane is a graduate of McGill University in economics and history. I can assure you that he is very knowledgeable on the subject he is going to discuss this morning, namely, Canada's trade with the Caribbean area.

A. W. A. Lane, Director, Section II, Office of Trade Relations, Department of Trade and Commerce: Thank you, Mr. Chairman. I thought it might be useful to start out with a little general background about the West Indies and their economies. There are a number of things that stand out when one looks at the West Indies or, as the area is frequently called these days, the Commonwealth Caribbean. First, I think it is the relatively small population distributed among a considerable number of widely scattered islands, and two territories in Central and South America. Their total population is under 4,000,000, in other words, only about one-fifth of that of Canada.

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There are some 14 separate political units in the Commonwealth Caribbean. Ten of them formed the West Indian Federation in 1958 but it was dissolved three years later when Jamaicans voted in a referendum to withdraw from it. Three of these territories—Jamaica, Trinidad and Guyana, formerly known as British Guiana—have become fully independent countries within the Commonwealth. A fourth, Barbados, is expected to reach independence later this year.

While the former members of the West Indian Federation still co-operate in certain fields, the plans for a customs union among these ten territories were abandoned when the federation came to an end five years ago. Three of them—Barbados, Antigua and Guyana—recently announced that they are going to set up a free trade area, and this is just getting under way now. The others are separate trading units, each managing their own customs tariffs and applying duties to goods from one another as well as to those from outside countries.

There is relatively little trade between the countries of the Commonwealth Caribbean and this of course is mainly because most of them produce largely the same kind of goods.

This brings me to the second thing which stands out about the West Indies, the fact that they are developing countries. A great variety of countries, of course, are embraced in the term "developing countries". What puts them in the same general category is the fact that they all have certain common problems. They have low living standards. They are often dependent for most of their export earnings on a few primary products, whose prices tend to be unstable. Their domestic savings fall far short of meeting their needs for capital to develop their economies. All of these, and other problems, common to the developing countries, are found in the West Indies.

Tropical agriculture—and particularly the growing of sugar cane—has of course always been a big factor in their economies. Sugar, and a few other resource products, make up the vast bulk of their exports.

Just to give one or two illustrations, sugar is nine-tenths of the exports of Barbados. Even in the case of Jamaica, which is the largest and most advanced economy in the region, sugar, bauxite and alumina—those three items—together account for three-quarters of their total export earnings.

It bears mentioning, however, that among the developing countries, some of the West Indian countries are at the upper end of the scale, that is to say, they have advanced further economically than many other parts of the developing world. Trinidad, for example, has a per capita national income of over \$500. While this is not much more than a quarter of Canada's per capita income, it is comparable to that of some of the less advanced southern European countries and it is well above that of countries like India and Nigeria.

Jamaica and Trinidad have also made considerable progress in diversifying their economies and in setting up new manufacturing industries. In Jamaica, manufacturing now contributes more in dollar terms to the national output than does agriculture.

Outside capital has, of course, played a very important role in the economic development of the region. A great deal of this has come from Britain and the United States, but Canada has also been an important source of investment in some fields. Canadian banks and insurance companies have been operating in the area for many years, as also have electric power utilities, partially or wholly owned in Canada. These, together with the bauxite and alumina industries, still account for a large part of our own investment in the Commonwealth Caribbean.

In recent years, however, Canadian capital and know how have been playing a part in the establishment of a variety of secondary industries in the area. The goods produced by these industries include, for example, things like chemicals, fiberglass furniture, ballpoint pens, car brake linings, metal furniture, and sporting equipment.

There has also been considerable new Canadian investment recently in service industries, such as hotels and retailing. The development of new industries in some of the West Indian countries has no doubt to some degree lessened their dependence on foreign trade. However, they all still export a larger proportion of their output than we do, in some cases much larger. Trinidad, for example, disposes of nearly two-thirds of its national output in markets abroad, and the proportions in Barbados and Jamaica are about one-third and one-quarter respectively.

Thus, the West Indies like Canada, are very conscious of the importance of foreign trade.

Canada's trade ties with the West Indies go back a great many years, to the years after the founding of Halifax in 1749 or even further, if you count the exports of fish caught on the Banks by European fishermen and cured on the coast of Newfoundland for export to the Caribbean.

However, the trade did not become really substantial until the war of 1812, when the United States cut off its exports to the West Indies, thus giving the

Atlantic provinces the opportunity to move in as suppliers of foodstuffs. By the time of Confederation, the West Indies were in some years Nova Scotia's most important export market, ahead even of the United States and Britain.

The other Canadian provinces participated in the trade with the West Indies on a very much smaller scale in those days.

In the latter part of the nineteenth century, Canada's trade with the West Indies was largely an exchange of salt fish, lumber, flour, miscellaneous agricultural products, with a few manufactured goods, on the one hand; in return for sugar, molasses, rum, spices and salt for use in the fisheries industry.

As the economies of Canada and the West Indies have developed, the trade between them has become more diversified. At the same time there has been a broadening of the geographical or regional base of trade with the West Indies, in Canada. That is to say other regions than the Atlantic provinces have participated increasingly in it. To illustrate, our important exports to the West Indies now include such things as canned salmon and forest products from British Columbia; flour milled from Prairie wheat; automobiles, fabrics, and a variety of other manufactured goods, from the central provinces; as well as the traditional items and some new ones from the Atlantic region.

Senator POULIOT: Mr. Chairman, would the witness be kind enough to tell us if there are any direct communications with the West Indies, and if it is by sea or by air; or if our goods are sent in transit to the United States?

Mr. LANE: A large part of them go directly by sea. Air transportation is likely to become more important in the future as a means of getting our goods to the West Indies.

Senator MACKENZIE: I wonder if we could have the witness complete his statement, and then ask questions.

The CHAIRMAN: Thank you. Would that be satisfactory?

Senator POULIOT: If I asked a question, it was because I was interested. Otherwise, I would have said nothing.

The CHAIRMAN: I think if we were to note down the questions we could finish with it.

Senator POULIOT: It was just to be informed.

The CHAIRMAN: Senator Pouliot, the witness informs me that he will be coming to the questions on transportation a little later.

Senator SMITH (*Queens-Shelburne*): What is our policy, Mr. Chairman, in this committee with regard to breaking in on a witness. There are some committees which I have attended where the chairman has induced the members to agree with him not to break in and interrupt the continuity of the witness' statement.

The CHAIRMAN: Heretofore it has been our aim to allow a witness to state his case or to make a statement and then have 25 or 30 minutes for questions afterwards. Perhaps we could proceed in that manner with this witness.

Senator POULIOT: Mr. Chairman, I read a few years ago in a publication entitled *Foreign Trade* which was published by the department certain details with regard to these questions. However, I will not break in now since I have no desire to cause any interruptions.

Mr. LANE: I was mentioning the diversification in our exports to the West Indies in more recent years. West Indian exports to Canada have also become more diversified. In addition to such traditional items as sugar, molasses, rum, spices, cocoa, coffee and citrus juices, we are now importing large quantities of bauxite, alumina and petroleum. More recently some of the new West Indian

manufacturing industries have begun to sell their products in Canada, such as sporting goods apparel, buttons and tableware. This trade is very small and of comparatively recent vintage.

How important in overall terms are our exports to the West Indies? Well, the figures are not very impressive in relation to our total foreign trade. Sales to Commonwealth Caribbean countries last year amounted to a little over \$90 million, or not much more than one per cent of our exports to all countries. The area is of course more significant as an outlet for the goods of the Atlantic provinces but still accounts for only a little over 3 per cent of their total foreign sales. In view of the size of the West Indian economies and of their external trade, it is obvious that even if our share of the market were increased substantially, it still would not take a very large proportion of our exports.

At the same time these overall figures are somewhat misleading as a measure of the significance of our trade with the West Indies. They don't reflect the importance of these markets to a number of major Canadian industries. For example the West Indies takes one-third of our exports of salt cod, and 17 per cent of our exports of flour. It accounts for almost all of our exports of a number of other agricultural and fishery products, such as pickled mackerel, canned herring, poultry feeds and cured beef.

The area is also an important market for the Canadian manufacturer. It is the fourth largest market for this type of goods. While the Commonwealth Caribbean countries took only some 2½ per cent of our total exports of fully-manufactured goods, it is much more significant for some particular industries and areas. Some four-fifths of our exports of ladies' shoes go to the West Indies, and almost one-third of our exports of wearing apparel from the Atlantic provinces are sold in these markets.

It also bears mentioning that Canada supplies a larger share of the imports of the West Indies than our share of any other market except the United States.

Looking at Canada-West Indies trade from the West Indies point of view, we are a considerably more important factor in their general trading picture than they in ours. While we are not the leading outside customer of these countries or territories, we are a major market for a number of them. We take more than one-fifth of the exports of Jamaica, for example, and 16 per cent of Guyana's. Our share of their exports is even greater in the case of certain commodities such as sugar, bauxite, alumina and petroleum.

Generally we tend to buy more from the Commonwealth Caribbean countries as a whole than we sell to the area. Last year, however, we had a small trade surplus with them largely because of a decline in sugar prices coupled with a decrease in the West Indies share of the Canadian market for sugar.

If we look at trends in Canada-West Indies trade over the last few years, one thing that stands out, is that while it has increased very substantially in absolute terms, there has been some decline in the relative importance of the two areas as sources of supply for one another's import needs. Our share of the West Indian market has gone down a little in the last few years. This reflects partly the changing emphasis in the composition of West Indian imports. Purchases of foodstuffs which have always made up a substantial part of our exports have not been increasing as fast as the purchases of certain other types of goods. In addition the establishment of new industries in the West Indies has affected some of our exports in such fields as textiles, clothing, paper products and furniture. This situation has called for a considerable degree of adaptability on the part of the Canadian exporter in selling to the West Indies.

In general terms the West Indies is a growth market; their total imports have been increasing faster than those of some bigger and more developed countries. There are some promising opportunities for greater Canadian exports,

especially capital goods and the more sophisticated kind of consumer goods. This is where we need to put particular emphasis in our selling efforts to the West Indies.

Expanding our trade with the West Indies and bringing about closer trade relations has been an important objective of governments in Canada since before Confederation. In 1855, for example, a British North American delegation tried to negotiate a preferential tariff arrangement with the West Indies, but this was vetoed by the Imperial Government on the grounds that it would be contrary to the Imperial policy of free trade. The year before Confederation another mission representing the various British North American provinces went to the West Indies and worked out certain understandings on the general level to tariffs to be applied to Canadian goods and arranged for consideration to be given to any problems that might affect Canadian exports. It was not a trade agreement, but it was a step towards a closer trading relationship between Canada and the West Indies.

A new stage in our trade relations with the West Indies opened up just before the turn of the century when Canada established tariff preferences. These were extended to the West Indies in 1898 without asking for any reciprocity on their part. This was during the period before the West Indies themselves had tariff preferences for Commonwealth countries. Most of the West Indies established preferences for Canadian goods just before the First World War, in 1912, when our first bilateral trade agreement was negotiated with the West Indies. The key feature of this agreement was an undertaking on both sides to extend preferences of not less than 20 per cent of the general tariff rates on a list of imported goods. The coverage and size of these tariff preferences was broadened and extended when the bilateral agreement with the West Indies was renegotiated in 1920 and 1925.

The agreement negotiated in 1925, which was incorporated in an Act of Parliament in 1926 is still in effect. Under this agreement Canada and the West Indies extend to one another minimum tariff preferences on practically all goods that are subject to duty. In addition, there are a number of specified tariff preferences on leading items in the trade at the time the agreement was written. For example, the West Indian items on which there are specified preferences include, sugar, bananas, cocoa beans, lime juice and arrowroot; and the Canadian items specifically mentioned in the agreement include things like flour, butter, lard, meats, potatoes, lumber and apples.

Another feature of the 1926 agreement was the inclusion of a section providing for the establishment and maintenance of subsidized steamship services.

Our relations with the West Indies have, of course, evolved considerably since this agreement was negotiated in 1925, and at an appropriate time it will need to be reviewed to take into account a number of developments. The sort of things that I am thinking of are the changed constitutional position of some of the West Indian countries, and the formation of the free trade area which I mentioned between Barbados, Guyana and Antigua. There has also been a considerable change in the pattern of trade in both directions. Some items which were important in 1925 are of little significance today, and a considerable number of new items have been added to the trade. Then, in the West Indies various trade measures are being used now to stimulate industrial development, such as import restrictions, which were not envisaged at the time the 1925 agreement was negotiated. Also the shipping clauses have fallen by the wayside.

The Canada-West Indies Conference, the conference of the Prime Ministers of Canada and the West Indies, which has been scheduled for July 6-8 in Ottawa this year, will provide an opportunity to review trade between Canada and the West Indies, and this conference will also consider a number of other

important aspects of our relationship with the area such as Canadian development aid to the West Indies, transportation, migration, other economic questions, international matters of common interest, and cultural relations.

I think perhaps with that general review, Mr. Chairman, I have said sufficient.

The CHAIRMAN: Thank you very much, Mr. Lane. We have quite a lot of time left for discussion. Senator Pouliot, would you care to renew your question?

Senator POULIOT: I will have some questions to ask, but I will ask them after my colleagues have asked theirs.

Senator MACKENZIE: I would like to apologize to my friend Senator Pouliot for interrupting him, and I would like to give him priority in asking questions.

Senator POULIOT: I have been here for 42 years, and this is my eleventh year in the Senate. I remember when I was on the Civil Service Committee that Mr. Bland, the Chairman of the Commission, was giving what he called his presentation and nobody interrupted him. Now, the witness seems to be a very valuable gentleman, and I apologize for anything unpleasant I could say, but I am here not to listen but to learn, and when I can do both I am very happy.

Senator MACKENZIE: Thank you.

Senator POULIOT: You do not need to thank me, but I want to learn as much from the witness as your students learn from you.

Senator MACKENZIE: I hope you learn more!

Senator POULIOT: If I am allowed to ask a question, I have a little preliminary, and it is that the business of Jamaica and the West Indies has always interested me very deeply. Not so long ago, about 20 years ago, when the British Empire was declining I suggested that Canada should be an empire and that Jamaica and the West Indies should be our colonies. Mr. Bustamante, who is a very big man down there, told me I was a fool and I had no respect for those colonies, and one day I met him under the shadow of Sir Wilfrid's bust at the Chateau and we made peace and now we are good friends; but I felt Canada should be an empire with those colonies. At the present time we are supporting them to a large extent, but I wonder what has happened. This is why after all that has been said I come to my question, that I would like to know something about the direct communications by sea and air with the West Indies.

Mr. LANE: There are a number of shipping lines between Canada and the West Indies. At one time this was a major problem in developing trade with the West Indies, and Canada, back in the nineteenth century, subsidized a number of shipping services to the area.

Senator POULIOT: There was a C.N.R. service?

Mr. LANE: Yes. There was provision in the 1920 agreement for establishing subsidized shipping services. This never worked out very well, and so the undertakings of Canada and the West Indies to establish and maintain shipping services were expressed in more specific terms in the 1926 agreement. It includes provisions regarding the frequency of sailings and subsidies to be paid by the various West Indian countries, freight rates, size of the vessels, and so on. These provisions have now fallen by the wayside. A number of the *Ladyboats* which were the mainstay of this service were destroyed during the war. Then, also, a number of private interests have established shipping services between the West Indies.

Senator POULIOT: I wonder if you are not the author of the interesting articles that I have referred to and which have been published in *Trade* the publication of the Department of Trade and Commerce.

Mr. LANE: I have written some articles on Commonwealth trade.

Senator POULIOT: What you said was most interesting. Did the Government ascertain the reason why the service given by the *Ladyships* of the C.N.R. was not any more successful?

Mr. LANE: It was very successful for a number of years, and in the West Indies the *Ladyboat* are still referred to very affectionately. They refer to them as "Our Lady Boats." They were the main means of communication between many of these islands and the outside world. There are now a number of shipping services and, of course, air transportation is becoming increasingly important.

In 1958 when we started our aid program for the West Indies we built two ships for them which are called the *Federal Maple* and the *Federal Palm*. The main purpose was to facilitate communications between the various West Indian Islands. These two ships are still operating. They ply between the various territories in the West Indies rather than between Canada and the area.

Senator POULIOT: They are regarded as part of our aid to the West Indies too?

Mr. LANE: That is right, sir.

Senator POULIOT: Thank you very much.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, on the same subject, may I ask whether the fact that a service like that of the *Ladyboats* is no longer available is having any appreciable effect on the increase in trade possibilities with the West Indian countries?

Mr. LANE: This is something that we are studying currently—the whole question of transportation in the West Indies—in preparation for this forthcoming conference with the West Indies. This will be one of the subjects discussed at that meeting.

Senator SMITH (*Queens-Shelburne*): That is, transportation between Canada and the Caribbean area, other than between the various components of the area?

Mr. LANE: That is right, sir.

Senator SMITH (*Queens-Shelburne*): I am not too knowledgeable on this subject, although I should be, being a Nova Scotian, but it strikes me that there is a fairly adequate privately operated service which does serve the area. I have never heard of any serious impact on our trade possibilities because of the need for more opportunities to ship. There might be some argument by exporters to the effect that through a subsidized service transportation costs would be lowered, which would open up opportunities. Is that a general understanding of the situation?

Mr. LANE: Yes, I think that that would be a correct statement.

Senator CAMERON: I have two questions, Mr. Chairman. Is it still true that the only direct air service we have is that of Air Canada to Nassau and Jamaica, and it is not likely that that will be extended beyond to Trinidad?

Senator MACKENZIE: There is a flight from Toronto to Barbados.

The CHAIRMAN: Have you a clear answer to your question?

Senator CAMERON: Yes. I was not aware that they had extended it to Antigua and Trinidad. My second question is with respect to the tourist industry, which is obviously very vital to the West Indies. It should be a means of helping them to a great extent, and also of helping us because this is the sun porch of Canada. What steps are being taken to increase tourist trade?

Mr. LANE: Well, the airlines are, of course, doing a great deal of promotion in this field. The Canadian tourist movement to the West Indies has increased a great deal in recent years. In fact, more Canadians travelling abroad go to the Commonwealth Caribbean than to any other area except the United States at present.

Senator CAMERON: Have you any idea of the numbers of people involved, and the volume of money?

Mr. LANE: I think I have a summary here of the number of people involved. Including Bermuda the number last year was around 50,000 people.

Senator GOUIN: How many?

Mr. LANE: Fifty thousand.

The CHAIRMAN: They would be Canadians travelling to the Caribbean area?

Mr. LANE: Yes, Canadians travelling to the Commonwealth Caribbean, and Bermuda.

Senator BLOIS: Mr. Chairman, I should like to ask a question about trade. I have been spending a couple or three weeks every year in various islands such as Bermuda, The Bahamas, and Barbados, and while there I have gone into stores and asked questions about trade with Canada. As an example, I asked about apples, and I found that in most of the islands Canadian apples are not available. They had apples from New Zealand and from the United States, but no Canadian apples.

I went into the matter of textiles also because I am very much interested in that, and I found little or none going in from Canada because the type of goods we were making in Canada cost too much for the people down there. The average citizen finds here he cannot afford Canadian textiles, so they were being brought in from the United States and from Japan. I found also at one place that there was a great shortage of paper bags, and they had to wrap goods in newspaper.

I was interested in following up the questions of apples, and I discovered there were two reasons why Canadian apples were not exported there. It is difficult to get apples from Nova Scotia down to Antigua because the steamships are no longer running, and the rates by Air Canada are too high. Apples were selling down there for the equivalent of from five to seven cents in our money. There is a market for our goods there, but apparently our prices, and the methods of transportation, are not making it as easy as it might be.

I checked with some of our Canadian firms and they told me that they had great difficulty in getting proper sales agencies, and also in getting payments. They felt that with the amount of business they were getting, and the profit on it, it was more or less useless trying to get more down there. These are facts that I have discovered over the last five years by spending two or three weeks every year in one of the islands. I wonder if you have found the same things in your survey.

Mr. LANE: Certainly, the countries of the West Indies are very competitive markets. We have to meet competition from a number of sources. As you say, it is very important that we price our products so as to be able to compete with other suppliers and also keep our prices in line with the incomes and living standards of the area. The Department of Trade and Commerce has sent a number of missions to the West Indies to explore the possibilities with respect to various kinds of products. Of course, we have two trade offices there, one at Port of Spain and the other at Kingston, Jamaica, through which we assist Canadian exporters to find agents and to look into market conditions and make their assessment as to the opportunities, but ultimately it is up to the individual exporter to follow through and to visit the market. This is one thing which we emphasize very much—personal visits to the markets to study conditions at first hand, and to talk to buyers. An increasing number of Canadian businessmen have been going there.

The CHAIRMAN: Mr. Lane, I was going to ask you about that very fact. Are Canadian businessmen, generally, sufficiently aggressive in that market? Would you like to comment more on that, in the light of Senator Blois' statement which rather amazed me. Would you like to offer an opinion as to whether Canadians should be more aggressive in that market?

Mr. LANE: Of course, in Trade and Commerce we feel that there is always scope to do a better selling job.

The CHAIRMAN: Senator Fergusson?

Senator FERGUSON: Mr. Chairman, there are two things I should like to have a little more information on, if Mr. Lane does not mind telling me. He said that we are taking 16 per cent of the exports of Guyana. Would he mind telling us what they are?

Mr. LANE: The main ones are bauxite and sugar.

Senator FERGUSON: And what did we export to them?

Mr. LANE: In 1965 our exports to Guyana were approximately \$7 $\frac{3}{4}$ million, and the leading items were dry salted pollock which accounted for \$500,000.

Senator FERGUSON: Is pollock the same as cod?

Senator MACKENZIE: It is a slightly different fish, not as good as cod or haddock.

Mr. LANE: All of these islands have their individual tastes in salt fish and we export different varieties to various territories. Next to pollock, split peas were the next largest item, accounting for a little under \$ $\frac{1}{2}$ million. Sardines is a big item, accounting for \$ $\frac{1}{4}$ million. Others included were cured beef, broad woven fabrics and knitted fabrics.

Senator FERGUSON: Is our trade with the Caribbean area increasing or decreasing?

Mr. LANE: It has increased substantially over the past two years. In fact, it has increased by close to 50 per cent from 1963 to 1965.

Senator FERGUSON: I suppose our Commissioner, Mr. Gregg, who is in that area, may have had something to do with the increase?

Mr. LANE: I am sure he has.

Senator FERGUSON: I have another question. I thought you said, Mr. Lane, that four-fifths of our export of ladies' shoes goes to the West Indies?

Mr. LANE: That is correct.

Senator FERGUSON: I thought perhaps you were referring only to the Maritimes export, but this is for all of Canada?

Mr. LANE: For all of Canada.

The CHAIRMAN: Mr. Lane, you made reference to the coming conference to be held in Ottawa from July 6 to 8 and referred to the fact that an important part of the agenda would be devoted to questions of trade. Would you care to make an assessment of the rest of the agenda and the objectives of this conference?

Senator GOUIN: Before going to that subject, I would like to come back to the question of communication. The private shipping lines which were mentioned, are they Canadian or United States lines?

Mr. LANE: There are Canadian lines operating in the area.

Senator GOUIN: Do they operate from Montreal or the Maritime provinces, and so on?

Mr. LANE: I am afraid that this is something I am not in a position to be very specific about. I believe Saguenay operates from Montreal and Halifax.

Senator COOK: As a subsidiary of the Aluminum Company.

Mr. LANE: That is right.

Senator GOUIN: Do they operate passenger service as well as freight, or only freight?

Mr. LANE: I believe some of them take a few passengers.

Senator GOUIN: Now with regard to the air services, I presume there is not any considerable amount of freight taken by them?

Mr. LANE: There is an air cargo service.

Senator GOUIN: There is an air cargo service for some of the provinces; thank you, very much.

Senator MACKENZIE: May I ask a general question? Is there any emigration to Canada at the present time from the West Indies?

Mr. LANE: Yes, there is.

Senator MACKENZIE: I know there is a good deal of pressure for more, but I am wondering to what extent.

Mr. LANE: Emigration to Canada for the most part consists of people with skills of one kind or another. There are very few unskilled workers from the West Indies coming to Canada. There has been a program for bringing domestic servants to Canada from the West Indies. I am afraid I am not an expert on emigration, so I really cannot tell you much beyond that.

Senator MACKENZIE: It could be one of the hot issues at the forthcoming conference, could it not?

Mr. LANE: This is something the West Indies are very interested in.

Senator GOUIN: In Montreal there are a fairly large number of female servants from the British West Indies, and generally they are quite satisfactory.

Senator BLOIS: I have talked with commissioners down there, and they all brought out the same point that they did not have people sufficiently trained to come here to fill occupations, except perhaps housemaids or labourers. I also spoke to some of their educational people. They are attempting to do more in that line now. Dr. MacKenzie knows more about this than I do. They are campaigning in some of the islands to improve educational standards, which I hope will work in our favour. I also found from my conversations with the West Indian people that they would like to come to Canada. They feel some sort of tie with Canada and would like to have the opportunity to come. I am very much interested in the question of trade with the West Indian people because I have met many of them.

Mr. LANE: If I may comment. West Indian students have been coming to Canada for many years. Last year I believe approximately 1,500 were studying at our universities. A year or two ago the University of the West Indies was raised to full degree granting status and it is expanding its facilities and will no doubt be absorbing an increasing number of students from the area.

In addition, Guyana has recently established a university of its own. I imagine that there will be a considerable flow of students to Canada, particularly for specialized types of courses.

Senator MACKENZIE: Can you give an estimate of how many remain in Canada? My impression is that if they can find employment in Canada they will remain. Of course, that is one of the problems.

Mr. LANE: That is quite correct sir.

The CHAIRMAN: Senator Smith?

Senator SMITH (*Queens-Shelburne*): I should like to ask Mr. Lane if it is generally true that trade follows aid. If Canada did more in the field of aiding and development of the developing countries, would we not eventually be placed in a position of having a long term prospect leading towards permanent trade?

Mr. LANE: I think aid certainly does affect trade. We have been doing an increasing amount in the aid field for the West Indies in the past few years. The West Indies was the first area outside the original Colombo plan for south and southeast Asia, which was included in the Canadian aid program. Initially the

program was established in 1958 for a period of five years. It involved an outlay of \$10 million over that five year period, in other words, an average of \$2 million a year. A large part of that amount was used to build the two ships, which I mentioned, the *Federal Maple* and the *Federal Palm*.

The aid program was expanded considerably in 1963, and in the last two years between \$9 million and \$10 million have been made available for aid to the West Indies. A little less than half of that amount was in grant aid and the bulk of the remainder in the form of development loans.

There is also a substantial program of technical assistance to the West Indies. This is a two-way arrangement. We have been sending quite a large number of experts there to work with their governments and to teach in universities and schools. I believe last year 16 Canadian university teachers were at the University of the West Indies and four at the university of Guyana. This is about one-third of the Canadian professors sent abroad under our technical assistance program to English speaking countries.

Senator SMITH (*Queens-Shelburne*): What is wrong with the general policy of applying to the Caribbean area the same basic principles applied in our own country to build up the growth of undeveloped parts of Canada, where we are making substantial outright grants, particularly to the Atlantic provinces, assisting them in building the infrastructure—I do not know if that is the proper word.

Mr. LANE: Exactly.

Senator SMITH (*Queens-Shelburne*): We are doing more for education in those provinces from the point of view of the future, as well as more in health services, and so on. Why is it not possible for us to approach this long term idea to the Caribbean area, to get in there with outright grants to assist in education, give better health services, and increase trade so that there would be trained people to come to Canada, on the understanding that they would then return to work in their own countries, and be given a chance to grow on their own with this initial aid? My own personal view is that it is a mighty good investment, thinking of posterity, thinking of the attachment of the West Indies to our way of life, as well as from the commercial point of view.

Mr. LANE: This is really the philosophy behind our Expanded Aid Program for the West Indies. We have undertaken a variety of projects in such fields as rural electrification, development of water supplies, development of ports and harbour facilities. As you say, it is the basic infrastructure that an economy needs in order to build itself up.

Senator MACKENZIE: In this connection, has anyone really done an economic survey of the individual islands, rather than collectively? I think this would be very important in terms of knowing what it is proposed.

Mr. LANE: We, together with the United States and Britain, have recently been conducting a survey of what are called the "little eight", that is to say, the West Indian island territories, which have not yet reached independence. This has been designed really to evaluate their economic needs and to come up with recommendations on their development priorities.

Senator Cook: What proportion of outside aid does Canada afford, as compared with the United States and the United Kingdom? Of the total aid given, what proportion is Canada's?

Mr. LANE: In a publication entitled *Aid in the Commonwealth* issued by the Overseas Development Institute in London, total British economic assistance to the Commonwealth Caribbean during calendar year 1964 is reported as totalling about \$30 million. According to the Operations Report of the U.S. Agency for International Development, U.S. aid to the area in the fiscal year 1964-65 amounted to almost \$24 million.

Senator CROLL: In the early part of his statement, Mr. Lane spoke about Trinidad having a \$500 per capita income, and he said that this was higher than some southern European countries. Is that correct?

Mr. LANE: It is not appreciably higher but on a comparable level.

Senator CROLL: What countries?

Mr. LANE: Spain and Greece, for example.

Senator CROLL: I suppose Albania?

Mr. LANE: I would imagine so, though I have not looked into the figures for Albania.

Senator CROLL: Spain and Greece?

Mr. LANE: And Portugal. Portugal has an even lower per capita income than Spain and Greece; but Trinidad is just about comparable in national income per capita to Spain and Greece. Of course, I should mention that these kind of measures, like a lot of statistics—sometimes can be misleading. They do not reflect the distribution of income throughout the country.

The big factor in the economy of Trinidad is the petroleum industry and this tends to be reflected in various statistics of the country's economy. For example, in their trade, they are big importers of crude petroleum from Venezuela and the Middle East and they refine this for re-export to other countries.

Senator CROLL: Yes, but we are talking about income?

Mr. LANE: Yes.

Senator CROLL: One would have thought the income of Spain, broadly speaking, would be much, much higher than the figure you gave; and I thought perhaps even Greece. It did not occur to me that it was so low.

Mr. LANE: The figures I was quoting were from the United Nations national income statistics.

The CHAIRMAN: I have no doubt that the per capita incomes are much less than \$500 in the southern European countries that Mr. Lane referred to.

On behalf of all of honourable senators, I wish to express our very sincere thanks to our witness, Mr. Lane.

The committee adjourned.



First Session—Twenty-seventh Parliament
1965

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

EXTERNAL RELATIONS

The Honourable G. S. THORVALDSON, *Chairman*

The Honourable L. M. GOUIN, *Deputy Chairman*

No. 4

*Fourth Proceedings on the Inquiry into Commonwealth Relationships,
with particular reference to the position of Canada within
the Commonwealth*

TUESDAY, JULY 12, 1965

WITNESSES:

*Department of External Affairs: Arthur G. Campbell, Head,
Commonwealth Division.*

APPENDIX:

"A" Final communiqué and documents issued following Canada-
Commonwealth Caribbean Conference.

ROGER DUMAS, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

Senator CROTT: In the early part of his statement, Mr. Lane spoke about Trinidad having a \$300 per capita income, and he said that this was higher than any southern European countries. Is that correct?

Mr. LANE: It is not appreciably higher but on a comparable level.

Senator CROTT: What countries?

Mr. LANE: Spain and Greece, for example.

Senator CROTT: I suppose Albania?

Mr. LANE: I would imagine so, though I have not looked into the figures for Albania.

Senator CROTT: Spain and Greece?

Mr. LANE: And Portugal. Portugal has an even lower per capita income than Spain and Greece, but Trinidad is just about comparable in national income per capita to Spain and Greece. Of course, I should mention that these kind of measures, like a lot of statistics—sometimes can be misleading. They do not reflect the distribution of income throughout the country.

The big factor in the economy of Trinidad is the petroleum industry and the trends to be reflected in various statistics of the country's economy. For example, in their trade, they are big importers of crude petroleum from Venezuela and the Middle East and they refine this for re-export to other countries.

Senator CROTT: Yes, but we are talking about income?

Mr. LANE: Yes.

Senator CROTT: One would have thought the income of Spain, broadly speaking, would be much, much higher than the figure you gave; and I thought perhaps even Greece, it did not occur to me that it was so low.

Mr. LANE: The figures I was quoting were from the United Nations national income statistics.

The CHAIRMAN: I have no doubt that the per capita incomes are much less than 1956 in the southern European countries that Mr. Lane referred to.

On behalf of all of honourable senators, I wish to express our very sincere thanks to our witness, Mr. Lane.

The committee adjourned.



First Session—Twenty-seventh Parliament
1966

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
EXTERNAL RELATIONS

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The Honourable L. M. GOUIN, *Deputy Chairman*

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QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966



First Session—Twenty-seventh Parliament

THE STANDING COMMITTEE ON EXTERNAL RELATIONS

The Honourable G. S. Thorvaldson, *Chairman*

The Honourable L. M. Gouin, *Deputy Chairman*

The Honourable Senators

- | | |
|------------------------------------|------------------------------------|
| Benidickson, | Inman, |
| Blois, | Macdonald (<i>Brantford</i>), |
| Boucher, | MacKenzie, |
| Cameron, | McLean, |
| Cook, | O'Leary (<i>Carleton</i>), |
| Croll, | Pouliot, |
| Farris, | Quart, |
| Fergusson, | Rattenbury, |
| Flynn, | Roebuck, |
| Fournier (<i>De Lanaudière</i>), | Savoie, |
| Gouin, | Smith (<i>Queens-Shelburne</i>), |
| Grosart, | Thorvaldson, |
| Haig, | Vaillancourt, |
| Hayden, | Vien, |
| Hnatyshyn, | Yuzyk—(31). |
| Hugessen, | |

Ex officio members: Brooks and Connolly (*Ottawa West*).

(Quorum 7)

TUESDAY, JULY 12, 1966

WITNESS:

Department of External Affairs: Arthur G. Campbell, Head,
Commonwealth Division.

APPENDIX:

"A" Final communiqué and documents issued following Canada-
Commonwealth Caribbean Conference.

ORDER OF REFERENCE

Extracts from the Minutes of the Proceedings of the Senate, Wednesday, March 9, 1966:

"The Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Hnatyshyn:

That the Standing Committee on External Relations be authorized to inquire into the question of Commonwealth relations with particular reference to the position of Canada within the Commonwealth;

That the Committee have power to send for persons, papers and records, and to sit during sittings and adjournments of the Senate;

That the evidence received and taken on the subject at the preceding session be referred to the Committee; and

That the Committee be instructed to report to the House from time to time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

ORDER OF REFERENCE

Extracts from the Minutes of the Proceedings of the Senate, Wednesday, March 8, 1906:

"The Honourable Senator Thorvaldson moved, seconded by the Honourable Senator HARTLEY, that the Standing Committee on External Relations be authorized to inquire into the question of Commonwealth relations with particular reference to the position of Canada within the Commonwealth; That the Committee have power to send for persons, papers and records, and to sit during sittings and adjournments of the Senate;

That the evidence received and taken on the subject at the previous session be referred to the Committee; and

That the Committee be instructed to report to the House from time to time.

- | | |
|-----------|------------------|
| Blair, | McLean, |
| Conroy, | O'Leary (Clerk), |
| Cook, | Poulin, |
| Croft, | Quinn, |
| Farris, | Rattall, |
| Ferguson, | Robinson, |
| Flynn, | Savoy, |
| Gagnier, | Shannon (Clerk), |
| Gougeon, | Stewart, |
| Green, | Vallancourt, |
| Hall, | Vien, |
| Hartley, | Yuxley (11), |
| Hughes, | |

Ex officio members: Brooks and Connolly (Ottawa West).

(Quorum 7)

MINUTES OF PROCEEDINGS

TUESDAY, July 12, 1966.

Pursuant to adjournment and notice the Standing Committee on External Relations met this day at 10.00 a.m.

Present: The Honourable Senators Thorvaldson (*Chairman*), Brooks, Cameron, Fergusson, Fournier (*De Lanaudière*), Gouin, Haig, Hugessen, Inman O'Leary (*Carleton*) and Rattenbury—(11).

The following witness was heard:

Department of External Affairs: Arthur G. Campbell, Head, Commonwealth Division.

The final communique and documents issued following Canada-Commonwealth Caribbean Conference were ordered to be printed as Appendix "A" to these proceedings.

At 11.00 a.m. the Committee adjourned to the call the the Chairman.

Attest.

Patrick J. Savoie,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

Tuesday, July 12, 1968

Pursuant to adjournment and notice the Standing Committee on External Relations met this day at 10:00 a.m.

Present: The Honourable Senators Thorvaldson (Chairman), Brooks, Cameron Ferguson, Fournier (De Lanudière), Gouin, Hatz, Heessen, Inman, O'Leary (Cartier) and Hattersburg—(11).

The following witness was heard:
Department of External Affairs: Arthur G. Campbell, Head, Commonwealth Division.

The final communiqué and documents issued following Canada-Commonwealth Caribbean Conference were ordered to be printed as Appendix "A" to these proceedings.

At 11:00 a.m. the Committee adjourned to the call of the Chairman.

Attest:

Patrick J. Savoie,
Clerk of the Committee.

THE SENATE STANDING COMMITTEE ON EXTERNAL RELATIONS EVIDENCE

OTTAWA, Tuesday, July 12, 1966.

The Standing Committee on External Relations met this day at 10 a.m.

Senator GUNNAR S. TORVALDSON in the Chair.

The CHAIRMAN: Honourable senators, we have a quorum, so I will now call this meeting to order. I propose that we adjourn not later than 11 o'clock because there is to be a meeting of the Standing Committee on Banking and Commerce at that time.

Our witness today is Mr. Arthur G. Campbell, Head of the Commonwealth Division of the Department of External Affairs. Mr. Campbell has been associated with the department for a number of years, and he has held this office since 1963. For 2½ years he was a member of the High Commissioner's Office in New Delhi, and in 1960 he spent a year in Geneva, being associated there with General Burns.

The meeting is called to receive a report in regard to the recent Canada-Commonwealth Caribbean Conference held here in Ottawa. Mr. Campbell was pretty much in charge of the arrangements for that conference, and from the point of view of our own service was a leading figure there.

I might say that the Secretary of State for External Affairs, the Honourable Paul Martin, had expected to be here and speak to us this morning. However, for the reason that the Prime Minister required to go to Newfoundland with regard to the opening of the Trans-Canada Highway this morning, Mr. Martin had some duties to perform as Acting Prime Minister at 10.00 o'clock this morning and regrets that he is not able to be present. However, Mr. Campbell is with us, and I will ask him to speak to us.

Mr. Arthur G. Campbell, Head, Commonwealth Division, Department of External Affairs: Mr. Chairman and honourable senators, I feel very much like a stand-in for the minister, and I hope you will bear with me. The Prime Minister reported briefly to the House yesterday afternoon, and he tabled the final communiqué of the conference. I have not yet read *Hansard* so I am perhaps exposing myself a little bit in doing more than answer your questions. I am altogether at the disposition of the committee, and perhaps it would be useful if I said a few initial words about the background of the conference, and the preliminaries that led up to it. I hesitate rather to assess the conference and its significance, as I presume the Prime Minister did yesterday, and in my capacity as a well-disciplined civil servant I assume that the purpose of the committee here is to secure additional detail which goes beyond what the Prime Minister may have said to the house yesterday, and matters which perhaps would go beyond the interest of the generality of senators and members of the House of Commons.

Before discussing the final communiqué—and I think this would be the simplest way of going about it—and elaborating on it and explaining how it comes to say the things it does, it might be of interest to the committee, since the conference has been judged to be a success, to know that it was in a state of preparation for a good many months. It had its origins in the talks that took place when the Prime Minister of Trinidad and Tobago came to Ottawa in April of 1964, and in the subsequent months, and notably at the Commonwealth

Prime Ministers' meetings later in 1964, and again last year when there were some exchanges on this subject between the Prime Minister and Dr. Williams and Mr. Sangster. There was also a number of informal occasions when it was discussed among officials. We had an interdepartmental group working on this from the latter part of 1964.

When the Prime Minister went to Trinidad and Jamaica last November and December the proceedings really got under way. We had a meeting with the West Indians at the official level in January of this year, and we tried to work up an agenda. Five departments were represented at that meeting, namely, External Affairs, Finance, Trade and Commerce, Citizenship and Immigration, and for the purposes of these statistics we will regard the External Aid Office as a separate department.

We then came up with an agreed set of recommendations for an agenda. Then the West Indian leaders met a little over a month ago in Barbados in order to have a preliminary canter at it among themselves, and to attempt to arrive at a common point of view. This they did very well, I think, and believe that all these preliminary preparations had a good deal to do with the successful outcome of the conference.

The proceedings are quite well summed up in the final communiqué. I say this not because I was a member of the drafting committee, but because I think it does sum up the main points of the conference. It does not emphasize very much what I consider to be an important circumstance, and a circumstance to which the Prime Minister drew attention in his remarks when he opened the conference, namely, that this was a particularly appropriate time for a meeting of this description. Since 1962 there has been a very substantial change in the constitutional situation of the territories of the West Indies. Beginning in July and August of 1962 when Jamaica and Trinidad obtained independence there have been successive constitutional changes, and they are not complete yet. At the end of May of this year Guyana became independent.

There has been a series of constitutional discussions in London in recent months, some of them with the Windwards and Leewards. There were three such conferences; one for Antigua, one for four other islands, and the other one for St. Kitts. Then, just at the end of June—finishing on June 30—immediately before the conference, there was an independence conference for Barbados. Barbados will become independent at the end of November of this year. For six of the Windwards and Leewards, omitting Montserrat, there will be a new constitutional status attained next year, but the timing depends upon the British legislative process. They will then acquire what is described as associate status, which is pretty close to independence. They acquire complete financial control which is something that at the present time they do not have, but Britain will retain responsibility for the conduct of their external affairs and for their defence.

Senator RATTENBURY: These are for the islands other than the larger ones?

Mr. CAMPBELL: These will be Antigua, St. Lucia, St. Kitts, St. Vincent, Grenada and Dominica—that is, the Windwards and Leewards other than Montserrat, which was not interested in these propositions.

Although these islands and Barbados are still in a transitional period, at least we have now reached the point where their future status, or, at least, their status for a very long time, is clear, and it is accordingly possible to discuss our future relationships with them in real, rather than abstract and theoretical, terms. I think this put the whole conference on a much firmer basis than would have been possible had it taken place last year, even after the Guyanese independence conference which was held last November. So there was a sound constitutional background for these discussions.

It was also by way of being an interesting coincidence that the proceedings opened on July 6. The last such conference had signed a document on July 6,

1925, 41 years earlier, that is, the Canada West Indies Trade Agreement, and there had been no gathering of this generality in the intervening 41 years.

The first substantive item on the agenda, the one which occupied more time than anything else, was the question of trade. Indeed, the only substantive committee that the conference formed was a committee on trade, which was embodied before lunch on the first day and began its meetings that afternoon. During that afternoon and throughout the following day they did their work faithfully and well.

I should not make remarks like this about committees that are presided over and participated in by members of the Cabinet, but nevertheless it was a well-run committee conducted by the Minister of Trade and Commerce and with the participation of the Minister of Finance and a number of West Indian ministers.

The West Indian point of view was presented by agreement in a very clear exposition by the Minister of Trade and Industry for Jamaica, Mr. Robert C. Lightbourne. I do not know, Mr. Chairman, whether it would be of interest to the committee to have this statement of Mr. Lightbourne's. It does sum up the West Indian position at the outset and describes their hopes and aspirations. It is a fairly extensive document. I was thinking that the committee might wish to have it as an exhibit.

The CHAIRMAN: Yes. As a matter of fact, I was going to propose before we adjourn that we get permission from the committee to have the final communiqué printed as an annex to the proceedings of this meeting, and perhaps also Mr. Lightbourne's report. I would suggest that if anyone would like to ask questions from now on as to any subject matter of particular interest, that would be in order. Will you, therefore, Mr. Campbell, continue, and when questions arise I am sure you will be able to deal with them.

Mr. CAMPBELL: I would hesitate to attempt to sum up Mr. Lightbourne's summing up, but the document is here if it is thought desirable to have it.

Senator O'LEARY (*Carleton*): Mr. Chairman, could we have a copy of this report printed in our proceedings so that we could have it before us.

The CHAIRMAN: Yes. I was going to suggest that before we adjourned.

Mr. CAMPBELL: If I may say so, Senator O'Leary, the final communiqué not only has the usual paragraphs covering each subject that was discussed, it has as an annex the report of the trade committee which is a three-page document summing up the course of the discussion or the main points as they were exchanged in the trade committee. Then, annexed to the annex, is a protocol on trade questions which affirms or reaffirms, and partially amends, the existing Canada-West Indies Trade Agreement.

Senator GOUIN: If I understand correctly, Mr. Chairman, both those documents will be printed in our proceedings?

The CHAIRMAN: Yes. We will have the committee's sanction for that. The final communiqué will be printed as well as the documents.

Mr. CAMPBELL: This is really part of the final communiqué.

Senator BROOKS: Mr. Chairman, am I to understand that at a later date there will be published a full report of this particular conference which was held?

Mr. CAMPBELL: I would be inclined to think, sir, that the communiqué, since it is quite a substantial document, would serve this purpose reasonably well. There is, first of all, the five-page communiqué; there is a three-page report of the trade committee; there is a three-page agreement or protocol on trade questions; and there is a statement on sugar, which of course is the principal preoccupation of most if not all West Indian territories. In addition, there are two memoranda of understanding that were also signed at the

conclusion of the conference. They are in the aid field. One is a memorandum of understanding between Canada and all these territories other than Guyana with respect to a five-year aid program for the University of the West Indies. The other document which also should be an annex here is a memorandum of understanding between Canada and Guyana with respect to a three-year aid program for the University of Guyana. So as I said, the substantial products of the conference are exhibits annexed to the final communiqué. I think you will find that the trade protocol and these two memoranda of understanding are the substantial meat of the conference.

Senator HUGESSEN: Will this document be circulated?

Mr. CAMPBELL: My understanding, sir, is that the communiqué and the annexes were tabled by the Prime Minister in the House of Commons yesterday, and I understand that they will be part of *Hansard*.

The CHAIRMAN: I expect they will be published in the House of Commons *Hansard*, Senator Hugessen.

Mr. CAMPBELL: Leaving aside the specific trade aspects that are dealt with in the protocol, although they meet the West Indian interests in a number of ways—meet their specific requests—it is of interest, I think, and is a device for keeping our relationships with the West Indies under review in the future, that there is a provision for the establishment of a Commonwealth Caribbean-Canada Trade and Economic Committee to consult on trade, financial and related matters, which is to meet from time to time at ministerial or senior official level as may be appropriate.

Officials are, of course, hoping—and I think ministers are hoping also—that whenever there is occasion for this Trade and Economic Committee to meet, between say December and April, it will meet in the West Indies. This is one way of ensuring that meetings take place at regular intervals.

Among the things which are dealt with in the Protocol, which may be of interest, and which modify the 1925 agreement, there is a general provision that obligations of the agreement, to the extent that they are in conflict with the terms of GATT, may after consultation be waived.

We have given a specific undertaking to consult with Commonwealth countries of the Caribbean before concluding any agreement under the Kennedy Round which would have the effect of reducing any margins of preference bound to them under the 1925 agreement, and to take any such reductions into account when we get around, probably through this Trade and Economic Committee, to a more comprehensive amendment or renegotiation of the trade agreement.

Specifically, the direct shipment requirements of the trade agreement are waived by Canada, that is, the requirement that in order to secure the preferential rates, goods must be shipped direct to a Canadian port and not trans-shipped through a United States port. That has been waived by Canada. They seemed to think that this would be an advantage to them.

Senator RATTENBURY: Is it possible to achieve that at all times, with the scarcity of direct communications between the two countries?

Mr. CAMPBELL: This was the point they made. However, our Department of Transport made a most impressive survey of the shipping and general communications between here and the Caribbean area, both from the Atlantic ports and Pacific ports. There is a long table here. If anyone were particularly interested in shipping questions, this document would be available. It is part of the public documentation of the conference.

Senator RATTENBURY: In other words, it is possible to achieve that, that the shipping survey discloses there is adequate service to the areas?

Mr. CAMPBELL: There is shipping which, in the view of some of the territories is adequate; but the service to all of them is not the same. This is

why they miss the old *Ladyboats*, which touched at all the islands. Take something like the Saguenay Terminals Service which goes all the way down to Guyana and is mainly concerned with hauling bauxite and alumina to Arvida. It touches a number of the islands, not all of them.

Senator HUGESSEN: Have the representatives been satisfied or dissatisfied with the transport facilities, generally speaking?

Mr. CAMPBELL: They were not too happy with the existing shipping. There is a passage in the final communiqué, under the heading of transport and communications rather than under trade, which points out that the restoration of direct shipping services between Canada and the Caribbean area was urged by several delegations. Nevertheless, while we agreed to the waiver of the direct shipment clause, they agreed to the statement that Part II of the 1925 agreement relating to steamship services, that is, the old *Ladyboats*, is recognized as being no longer in effect. That is a closely conceived form of wording.

They did urge the restoration of direct shipping services and it was agreed by Canadian ministers present, and notably by the Minister of Transport, who was an active participant in this part of the proceedings, that this matter should be fully investigated, "in the light of its possible long-term contribution to the promotion of trade."

In other words, as Mr. Pickersgill made it clear to them, this would be regarded as something which could contribute to trade promotion rather than something like the ladyboats which were also cruise ships, and so on. It appears that for passenger service, air transport has taken over where the Ladyboat left off, although West Indies cruise is still a very nice thing. This question of shipping will be looked at in its relationship to trade rather than in its relationship to travel.

Senator HUGESSEN: Are they satisfied with present air services?

Mr. CAMPBELL: There was not complete satisfaction. I think they are regarded as being, on the whole, fairly good between Canada and the area down there, although there are questions of frequency and ports of origin. A little less satisfactory, from their point of view, are the local intra-Caribbean regional air services.

Senator BROOKS: Would not these matters have to be adjusted, if the trade and passenger services increased under agreements to be made later?

Mr. CAMPBELL: Yes. This continuing committee on trade and economic matters which has been created will deal with matters of transport and communications in their relationship to trade. I do not think we need look on this conference as something which has established a firm policy for the next 41 years.

Senator GOUIN: Mr. Campbell referred a few minutes ago to a list showing all companies which had services for the West Indies. I understand this list is a public document?

Mr. CAMPBELL: Yes, sir.

Senator GOUIN: If it has already been published, it would be interesting for us to obtain copies of it. Otherwise, we could have that list annexed to the report of this committee. This problem of communication with the West Indies is a very vital one.

The CHAIRMAN: Mr. Campbell, I may say this to you. The last witness before the committee was Mr. A. W. A. Lane, Director of Section II in the Office of Trade Relations, Department of Commerce. His remarks were directed firstly to the question of trade between Canada and the West Indies, particularly based on the treaty of 1925. As some here will remember, and I think Senator Hugessen was there, the committee was most disturbed as to the question of communications and transport between Canada and the West Indies as related

by Mr. Lane. This is a matter of great concern to this committee. I wanted to hear your remarks in this regard.

Senator AIRD: I don't think it is possible to increase communication between the two areas with the existing means, particularly by sea when the only regular service I know of is the *Saguenay*, and that only touches the larger islands and cannot promote trade with the smaller islands. It is true Canada provided some coastal ships some years back, the *Federal Palm* and the *Federal Maple*.

Mr. CAMPBELL: The *Federal Palm* and the *Federal Maple* touch in at all the Leeward and the Windward Islands—perhaps not at Nevis for example, but altogether there are ten ports of call. That is Jamaica and Trinidad at each end, Barbados and the seven Windwards and Leewards. They touch at all of them and I would go further than that and say that not only do they touch at all of them but they stay in each port for several hours during daylight hours.

Senator AIRD: That is for passengers, but not for trade.

Mr. CAMPBELL: But there is every facility with the *Federal Palm* and *Federal Maple* for inter-island trade.

Senator O'LEARY (*Carleton*): What government machinery exists for giving effect to these undertakings on both sides? What trade or diplomatic contacts have we with these islands, and what trade or diplomatic contacts have they with us?

Mr. CAMPBELL: We have a High Commissioner in Jamaica and Trinidad and in Guyana. They are Harry Jay in Jamaica; Russ McKinney, secretary of the conference, has been appointed to succeed Eric Gilmour in Trinidad; and Milton F. Gregg is High Commissioner in Guyana. There are trade commissioners in Jamaica and Trinidad. The trade office in Trinidad has responsibility for Guyana and also the Windward and Leeward Islands.

With respect to our aid program, the High Commissioner in Port of Spain has responsibility for administration in the Windward and Leeward Islands and Barbados. I might say that our High Commissioner has been in the past a frequent visitor to Barbados and the Windwards and Leewards on Government business.

Charles Gadd, the First Secretary, who at the present time is Acting High Commissioner there, and who was present for the conference, two or three months ago, made a tour of the islands to see how things were getting on. There are a number of Canadian teachers and people of that description in the islands under our technical assistance program, and they are happy to see a fatherly face occasionally. There is a newly appointed administrative officer who has just gone down there and who will be concerned with the administration of the aid program. She is Miss Pat Cordingley. She has just completed a tour of the islands. We do attempt to keep in touch both with the administrations of the islands and with the Canadians who are there.

Senator O'LEARY (*Carleton*): Thank you. I would like to ask one more question and then I shall desist. Have you any evidence in your department that the thinking of the West Indies islands has been affected in any way by the events in Cuba in the last few years?

Mr. CAMPBELL: I am not aware of anything in the way of evidence from the islands. There was, however, a considerable amount of contact between Cuba and the previous administration in British Guiana before independence. Dr. Jagan, who was then Premier, had a policy of quite close relationships with Cuba on a number of fronts. Among those, he managed to sell a good deal of Guianese rice to Cuba. But there were close relations in other ways. I am not aware of any similar relationship between any of the islands and Cuba.

Senator BAIRD: We have a large fish trade with the islands. When I say "we" I speak of Newfoundland and, to a certain extent, Nova Scotia. This is very important to us.

Mr. CAMPBELL: There was some considerable reference to the question of salt fish during these proceedings. I think that the fish found their way into the trade protocol.

The Commonwealth countries of the Caribbean undertake to ensure that Canadian exporters of salted cod are given a fair and equal opportunity to supply the market requirements at prices which will be remunerative to efficient producers and fair to consumers.

As you are probably aware there has been a little difficulty over the ceiling price imposed by Jamaica on salt fish. The effect of this particular clause of the protocol remains to be seen. But there are one or two adjectives in there that need to be taken note of, such as, "prices which will be remunerative to *efficient* producers."

Senator FERGUSSON: Was there any discussion about the experiment of bringing in seasonal farm workers from Jamaica?

Mr. CAMPBELL: Yes, this was touched upon. There was a discussion, in which Mr. Jean Marchand participated, on the whole question of migration, both the general and specific aspects of it including the seasonal farm labour movement.

Senator FERGUSSON: Was it decided whether that would be continued or would just be dropped?

Mr. CAMPBELL: It was thought to be, so far as one could judge, showing signs of success. The numbers that have been involved are not nearly as large as many people expected. It is perhaps because the terms and conditions were a little bit stiffer than the growers hoped for. In other words, there were certain conditions of work, certain minimum wage guarantees, certain responsibilities for transportation, and so on. This was to protect the position of Canadian labour.

Senator CAMERON: In the newspaper report on the conference there was an item that interested me. I wondered how substantial this was. As you know, there is a big imbalance of trade with the United States. One of the suggestions was that the citrus fruit growers in the West Indies might be more aggressive in trying to get into the Canadian market—and also the fresh vegetable growers—but I believe the limiting factor was the lack of continuity in produce. In other words, they were not at a stage to guarantee a continuous flow of citrus fruits and vegetables on a 52 weeks-a-year basis. Have you any idea what potential market could be developed there? And, secondly, has any thought been given to the external aid program being used to upgrade the quality of production in the West Indies?

Mr. CAMPBELL: I think there is an additional limiting factor which is one that was brought quite strongly to the attention of the Canadian delegation by the West Indians, one which is an inhibiting factor not only in citrus but also bananas, and this is the problem of shipping. I must confess I was not "on deck" during any discussion that took place on citrus. I read the proceedings.

Senator RATTENBURY: We had a continuous flow of West Indian vegetables years ago when we provided the refrigeration service.

Mr. CAMPBELL: There is a shortage of refrigerated cargo space now.

Senator RATTENBURY: All our tomatoes, for example, came into Canada and the large majority came in from the smaller islands. Montserrat was a large shipper, but this is not available now. You cannot prepare vegetables for

market for the first day of January, we will say, and get a shipment on the 20th day of February. It is as simple as that, is it not?

Mr. CAMPBELL: Yes. I think the way is being pointed by the development in British Honduras, where Salada-Shiriff-Horsey—I am not quite sure what the name of it is—have in the last couple of years begun the processing of citrus down there. I think they pack frozen on the spot.

Senator CAMERON: This could be a double-barreled program if there is a practical way of overcoming the transportation difficulties. In other words, we could reduce our American debit balance and transfer it to the West Indies and help them and ourselves. It seems to me the need is to upgrade the quality of production. That is, how do they do it and improve their standards and improve their continuity? The key question is how do you get it to Canada?

Mr. CAMPBELL: Yes.

The CHAIRMAN: Before we conclude, Mr. Campbell, would you like to say a word about sugar? Sugar, as I understand it, was a very important item of discussion. It seems to me it was a highlight. Would you care to say something about what might happen in that regard?

Mr. CAMPBELL: I am not sure I should attempt to vary the carefully phrased statement that is annexed to the final communiqué. This is an extremely difficult question. On the one hand, sugar is of great importance to most of the West Indian territories, and is a source of 90 per cent of their income in some cases. On the other hand, over a period of years we have acquired trading relationships with other parts of the world and they have preferences, and so on. Among Canadian sources of sugar, in addition to the West Indies, are not only such efficient and modern producers as Australia and South Africa, but also areas which face a number of problems similar to those of the West Indies. Mauritius and Fiji are important suppliers to Canada of sugar; and also India has been entering the sugar export market in recent years and has made some sales to Canada. But the proposal which was made was that Canada would provide, on a unilateral basis, duty-free entry for a quantity of raw sugar that would be equal to the average of such imports over the past five years. This, in effect, meant the abolition for the Caribbean territories, and only for them, of the present British preferential tariff rate, which is about 29 cents a hundred-weight. As I say, this would be, in effect, a quota, but the subdivision of this quota among the West Indian territories would be for them to work out. We are not trying to say that, for example, Montserrat, out of this five-year average, gets so much.

Senator RATTENBURY: They have a separate agreement with England, have they not, on the floor for their sugar price? I know Barbados has.

Mr. CAMPBELL: I am not too sure about this floor bit. They have a Commonwealth sugar agreement which divides up the market, but I am not an expert on that.

Senator RATTENBURY: In other words, they are assured of a market?

Mr. CAMPBELL: They are assured of their agreed share of the market.

Senator RATTENBURY: Anything they do not sell, they turn into rum!

Mr. CAMPBELL: I do not believe there is a guaranteed floor. I would not like to be taken as an authority on that.

The CHAIRMAN: Honourable senators, it is just about 11 o'clock, and unless someone has another question I think we should adjourn.

Senator RATTENBURY: I am not sure I understood the answer to Senator Hugessen's question as to whether we are going to get these documents or not.

The CHAIRMAN: Yes, I propose, with the consent of the committee, to go through these documents and annex the final communiqué to our report.

Senator RATTENBURY: And the report of Mr. Lightbourne?

Mr. CAMPBELL: That is his opening statement?

The CHAIRMAN: The opening statement made by the Honourable Robert C. Lightbourne, yes.

(For final communiqué and documents issued following Canada-Commonwealth Caribbean Conference, see Appendix "A" to these proceedings.)

The committee adjourned.

APPENDIX "A"

FINAL COMMUNIQUÉ

During the past three days substantial progress has been made on the process of closer consultation and cooperation among the Commonwealth countries of the Western Hemisphere. This development holds great promise for the future and will bring early practical benefits to all the participants. The Heads of Government participating in the present Conference are determined to continue and strengthen the fruitful collaboration among them which has been begun in Ottawa this week.

2. At the Conference Antigua, Bahamas, Barbados, Canada, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent and Trinidad and Tobago were represented by their Heads of Government and British Honduras by the Minister of Natural Resources and Trade. Britain was represented by an observer and by special invitation the University of the West Indies was also represented.

3. The Heads of Government took note that their Conference opened on the forty-first anniversary of the signature of the Canada-West Indies Trade Agreement.

4. The Conference welcomed the positive outcome of constitutional discussions for Barbados and the working out of special relationships between Britain and Antigua, Dominica, Grenada, St. Kitts-Nevis, Anguilla, St. Lucia and St. Vincent.

TRADE

5. A review of the special trade and economic relations among the Commonwealth Caribbean-Canada group of countries was a central feature of the Conference. Ministers were unanimous in the great value they attach to maintaining and further strengthening the special trade ties between Canada and the Commonwealth countries of the Caribbean. To this end, a special Protocol to the 1925 Trade Agreement has been approved by the Conference and signed by all participating countries. This Protocol provides for continuing close consultation and cooperation within the Commonwealth Caribbean-Canada group of countries. Through the further strengthening of their trade and economic ties, this group of countries can best promote their own trading interests and the contribution they can make to the strengthening of international trade and economic relations throughout the world. The report of the Special Committee on Trade was unanimously adopted by the Conference and is attached.

6. It was agreed that a study of the question of a free trade area between the Commonwealth Caribbean and Canada might be made jointly by appropriate institutions to be designated by the Trade and Economic Committee.

AID

7. The Heads of Government agreed that they shared an obligation in common to ensure the most effective use of the limited resources available in the Caribbean area and that an increased effort should be made to mobilize additional resources to accelerate the pace of economic development in the Commonwealth Caribbean area. The Canadian Government announced that it was Canada's intention to strengthen its aid efforts in the countries of the Commonwealth Caribbean, with which Canada had special links. These countries had demonstrated their ability to use available resources effectively to meet their urgent needs.

8. The Canadian Government indicated that its basic aid programme for the Commonwealth Caribbean countries will be generally made more flexible in its terms, and over each of the next five years will reach at least the level of the enlarged programme for the current fiscal year of a total of more than \$65 million for the period. The proposals for special aid for the Universities of the West Indies and Guyana and for a Caribbean Broadcasting Service would raise the minimum figure to \$75 million for the five-year period. With good and practicable projects the Commonwealth Caribbean part of the expanding Canadian aid programme for all purposes will rise substantially above that figure.

9. Reference was made to the problem of mobilizing in the area adequate financial resources to meet all of the local costs associated with economic development, and Canada indicated its willingness, in appropriate cases, to finance a portion of local costs of development projects.

10. Particular attention was devoted to the need for increased levels of assistance for the non-independent territories. In this connection, it was agreed that the report of the tripartite economic survey of Barbados, and the Leeward and Windward Islands, conducted by Britain, Canada and the United States, should be useful in promoting co-ordinated development efforts in the Caribbean and in mobilizing additional foreign resources to assist in fulfilling the potential for development in the dependent territories. The Conference agreed that further serious study of the report should be undertaken without delay and that meetings of those governments directly concerned might usefully be convened in the fall to consider the implications of the report and of the expected report on British Honduras for longer range co-ordinated aid efforts.

11. It was also agreed to study the possibility of establishing a financial institution for regional development which might be used as a method of financing projects of particular interest to the smaller areas, as well as projects which would benefit the region as a whole.

12. Special consideration was devoted to programmes of assistance to the University of the West Indies and the University of Guyana. Memoranda of Understanding on these programmes were signed on July 8. The texts are attached as Annexes II and III.

TRANSPORT AND COMMUNICATIONS

13. The Heads of Government discussed matters relating to Transport and Communications both between Canada and the Caribbean and within the Caribbean area. The needs of the area for improved regional air services were reviewed and the technical cooperation of the Canadian authorities in meeting these needs was offered. Many of the governments represented the need for improvement of airport facilities and the Canadian Government agreed that these were matters which would be examined. The need for multilateral discussion with a view to the conclusion of air services agreements between Canada and the Commonwealth Caribbean countries was discussed and the desirability of consultation and the greatest degree of mutual cooperation in the negotiation of bilateral arrangements with other countries was stressed.

14. The restoration of direct shipping services between Canada and the Caribbean area was urged by several delegations and it was agreed by the Canadian authorities that this matter should be fully investigated in the light of its possible long term contribution to the promotion of trade. Reference was made to the international telecommunications network in being and in prospect. With regard to the operation of the telecommunication services within the islands, Canada would be pleased to provide technical training and advice within the context of the External Aid programme. The Canadian government offered to cooperate in working out and underwriting arrangements for first class

air mail service at surface rates between Canada and the Commonwealth Caribbean countries to be established as soon as technical arrangements could be made.

MIGRATION

15. In the discussion on migration the Heads of the Caribbean Governments took note of the fact that immigrants from the Commonwealth Caribbean were eligible for entry into Canada on as favourable a basis as immigrants from any other parts of the world and that migration from the area to Canada had increased in recent years. However, they emphasized the need for continued and expanded migration opportunities for their people. The Canadian Government announced that Canada was prepared to keep its door open to qualified immigrants from the Commonwealth Caribbean on a completely non-discriminatory basis. The experimental movement of seasonal farm labour to Canada from Jamaica during the current year was reviewed and Canada indicated that if the experiment proved successful and there was a continued need for outside labour in future years consideration would be given to broadening the program to include other Caribbean countries. Canada also announced a 100 percent increase in the special household service worker movement from the Caribbean to Canada, and the extension of the Canadian Immigration Assisted Passage Loan Scheme to immigrants from Commonwealth countries of the Caribbean.

16. The Government of Guyana explained that with accelerated development of Guyana's resources it would be possible for Guyana to absorb migrants from the Caribbean countries, and announced its willingness to make available immediately for settlement by Guyanese and other West Indians selected areas of known potential. The Heads of Government agreed that the machinery established for the continuation of joint action on matters discussed at the Conference should examine these plans as early as possible.

OTHER ECONOMIC QUESTIONS

17. The Heads of Government considered ways of promoting private investment in the Commonwealth Caribbean. They noted that there were no restrictions on the flow of Canadian private capital to the area but expressed concern at the effect which the absence of double taxation agreements could have on that flow. In the context of the relations between Canada and the Commonwealth Caribbean countries, the Canadian Government indicated its readiness to enter into discussions leading to agreements with interested Commonwealth countries in the area to avoid double taxation.

18. They also discussed possibilities for developing the tourist industry in the Caribbean and as part of the process, as indicated in the report of the Trade Committee, the Canadian Government undertook to give consideration to the suggestion that enlarged duty-free exemptions be allowed to Canadians entering from Commonwealth Caribbean countries.

INTERNATIONAL QUESTIONS OF COMMON INTEREST

19. The Commonwealth countries in the Western Hemisphere emphasized the great value they attach to their relations with the United States and the many countries of Latin America which make up the membership of the Organization of American States. Those participants in the Conference whose countries would be eligible for membership in that Organization indicated their intention either to carry out a joint study of the question or to give one another the benefit of national studies which were being made. They also expect to consult together on this question in the months ahead.

20. There was a thorough discussion of the implications of the continuing situation in Rhodesia. The Heads of Government noted that unless there was an

early solution of this grave issue the future of the Commonwealth as a multi-racial association would clearly be endangered. They expressed the hope that such an early solution will be announced by the British Government at the forthcoming meeting of Commonwealth Prime Ministers.

21. The Conference endorsed the resolution adopted by the Commonwealth Caribbean Heads of Government at their recent meeting in Barbados affirming their fullest support for the self-determination of British Honduras in accordance with the wishes of the people of the country.

CULTURAL RELATIONS

22. The Conference recognized the desirability of further strengthening the cultural ties between Canada and the Commonwealth Caribbean. It was decided to establish appropriate machinery for strengthening such ties with a view to giving the Canadian public the opportunity of seeing in their own country the expression by West Indian artists of indigenous Caribbean art forms such as the dance and the steelband and to making the West Indian public familiar with Canadian artistic achievements particularly in the field of the performing arts. The Government of Canada also indicated its willingness to assist with the establishment of broadcasting facilities serving the entire region of the Commonwealth Caribbean and consultations will now take place among the broadcasting authorities of the participating governments.

METHODS OF FOLLOWING UP THE CANADA-CARIBBEAN TALKS

23. In keeping with the intention of Heads of Government that the consultations instituted at this Conference should be continued, it was agreed that a meeting of the governments represented should be held, at a date to be fixed and at an agreed venue in the West Indies, for a general discussion of Commonwealth Caribbean-Canada relationships and to review progress. In the meantime to ensure that effective follow-up action is taken on the matters discussed at this Conference it was agreed that, in addition to normal bilateral consultations, the High Commissioners of the Commonwealth Caribbean countries in Ottawa should consult jointly with Canadian officials regarding the timing and location of the first meeting of the Trade and Economic Committee and the form of other consultative arrangements for the future.

REPORT BY THE CHAIRMAN OF THE TRADE COMMITTEE

The Trade Committee established by the Conference on July 6 has held three sessions.

2. We reviewed a range of trade and commodity problems in the light of the Trade Agreement of 1925 and of developments since then, including the prospects for the Kennedy Round of Tariff negotiations.

3. The Committee agreed that the 1925 Agreement continued to provide a valuable basis for our trade relations. In some respects, however, there is need to adapt the Agreement to current circumstances and requirements. The discussion of trade and commodity problems covered a number of issues of concern to participating countries, including problems relating to the trade in rum, rice, sugar, bananas, citrus and other fruits, vegetables and spices, wheat, salted fish and manufactured goods.

4. The Commonwealth Caribbean countries expressed particular concern about possible damage to their trade over any loss of their present preferential position in the Canadian market and the importance, particularly for the smaller territories, of improved shipping facilities for the development of their exports to Canada.

5. Considerable attention was given to the problems faced by the Commonwealth Caribbean sugar producers in their sales of sugar to Canada.

Canadian representatives offered, subject to the necessary international waivers, to extend to Commonwealth Caribbean countries and territories collectively a tariff-free quota for raw sugar, the quantity being equal to the average volume of Commonwealth Caribbean sales to Canada over the past five years. This was intended to provide an opportunity for them to maintain their traditional sales to the Canadian market and enhance the return to their producers. In addition, the Canadian representatives indicated their willingness to work towards an effective International Sugar Agreement with a price range that would yield a fair return to producers and would be equitable to consumers. The Canadian representatives indicated their expectation that the price benefits of the elimination of the need to pay the BP Tariff rate of .29¢ a cwt would accrue to Commonwealth Caribbean suppliers. It is not the intention of the Canadian authorities to allocate the tariff-free quota between Commonwealth Caribbean suppliers. Any arrangements in this regard would be for the Commonwealth Caribbean suppliers to work among themselves.

6. A number of Commonwealth Caribbean countries emphasized their difficulties in developing their exports of bananas to the Canadian market. Several countries are heavily dependent on bananas for their employment and export earnings. The special importance of shipping facilities was underlined in developing this trade. It was agreed to conduct a joint study of this important item at an early date.

7. Representatives of several Commonwealth Caribbean countries referred to problems relating to the valuation for duty of their exports of manufactured goods to Canada. It appeared that their concerns might in part be met by use of the new Section 37A of the Canadian Customs Act. This was intended to deal with inadvertent discrimination in Canadian customs law in connection with imports from countries with compact domestic markets in which goods are normally sold in small quantities or direct to the retail level.

8. Several members of the Committee referred to difficulties they had encountered in exporting rum to Canada, specifically problems involving labelling, the content provisions of the Canadian Excise Act, advertising restrictions, provincial listing and mark-up practices and the tariff treatment of normal rum containers. The Canadian representatives undertook to consider amending the labelling requirements and to use their good offices with the Provincial authorities respecting these matters for which they have responsibility.

9. Several members of the Committee referred to the difficulties involved in the Canadian requirement that, in order to receive preferential treatment, goods must be shipped direct to the Canadian port from a Commonwealth country. Canadian representatives indicated the Canadian Government's willingness to waive Article VII of the 1925 Agreement on this point.

10. In the context of the development of tourism, several Committee members asked whether consideration might be given to enlarged duty-free exemptions for Canadians returning from Commonwealth Caribbean countries. The Canadian representatives undertook to give consideration to this suggestion.

11. The Canadian representatives referred to their concern about instances where certain Canadian producers and manufacturers were being excluded or restricted in their access to traditional markets and expressed their desire to avoid damage to these established trading interests. Particular reference was made to Canadian exports of salted fish and wheat flour. The Commonwealth Caribbean countries concerned indicated their intention to ensure a fair opportunity for Canadian trade in their markets.

12. The Committee recognized that it was not possible in the short time available to resolve all outstanding problems. It agreed that it is highly desirable to maintain close consultations on trade and economic matters and

decided to this end to recommend that, in addition to present facilities for consultation on a bilateral basis, a Standing Committee on Trade and Economic Affairs should be established to meet from time to time at Ministerial or official level as may be appropriate.

13. The Committee considered a draft protocol to give effect to the conclusions reached. The proposed text of a protocol is attached and is recommended by the Committee for approval by the Conference and for signature. The text of the Canadian Government Proposal on Sugar is also attached.

14. The Committee expressed its dissatisfaction with the offer on tropical products recently tabled by the European Economic Community in connection with the Kennedy Round trade negotiations in Geneva. They also took note of the suggestion that the Caribbean Commonwealth country interests in the lowering of the EEC tariffs on rum and alumina be kept in mind by Canada in its negotiations with the Community.

15. The discussions in the Trade Committee were carried out in a most friendly and constructive atmosphere.

CANADA-WEST INDIES TRADE AGREEMENT

PROTOCOL

Recognizing the important changes which have taken place in their trade and commercial relations since the negotiation of the Canada-West Indies Trade Agreement of 1925;

Recognizing the desirability of close co-operation and collaboration in the development of their respective economies in order to facilitate the most efficient utilization of resources and the maximum development of mutually advantageous trade;

Taking into account the urgent economic development needs of the Commonwealth Caribbean countries and the key importance of trade to the raising of their standards of living and the progressive development of their economies;

Taking into account the common interest of the Commonwealth countries of the Caribbean and Canada in ensuring a fair and remunerative return at stable prices for exports of primary products of particular interest to them and the urgent need of these countries to diversify their exports:

Antigua, the Bahamas, Barbados, British Honduras, Canada, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts-Nevis-Anguilla, Saint Lucia, Saint Vincent, Trinidad and Tobago agree as follows:

1. To examine the 1925 Canada-West Indies Trade Agreement in detail with a view to its further amendment or renegotiation in the light of the results of the Kennedy Round of trade negotiations under the General Agreement on Tariffs and Trade;
2. To continue the Canada-West Indies Trade Agreement of 1925 in force, ad interim, subject to the following:
 - (i) To the extent that it may be necessary in order to avoid conflict between the provisions of the Agreement and the provisions of the GATT, the obligations of the Agreement, after consultation, may be waived.
 - (ii) Canada will consult with the Commonwealth countries of the Caribbean before concluding any agreement in the Kennedy Round which would have the effect of reducing margins of preference bound under the Agreement and to take such reductions into account in any renegotiation of the Agreement.

- (iii) The direct shipment requirements of Article VII are waived.
- (iv) Part II of the Agreement relating to steamship services is recognized as being no longer in effect.
3. To consult upon request with respect to measures to encourage economic development which might substantially affect the trading interests of the other parties, with a view to avoiding possible damage to those trading interests and to achieving the best use of resources, taking into account the scope for regional co-operation.
 4. To consult and co-operate on tourism and in establishing or improving transportation, communications and other facilities designed to promote mutually beneficial trade and other exchanges.
 5. To work together in international commodity discussions and arrangements, and particularly to seek to secure and maintain an appropriate and effective price range under a new International Sugar Agreement which will be remunerative to producers and equitable to consumers.
 6. To endeavour to revive the banana trade and to bring about increased sales of bananas to Canada from the Commonwealth countries of the Caribbean.
 7. To seek to secure acceptable conditions of access for wheat in world markets in order to bring about increased trade at prices which will be remunerative to efficient producers and fair to consumers, taking into account world food needs.
 8. The Commonwealth countries of the Caribbean undertake in the development of local flour mills to provide fair and equal opportunities for the Canadian industry to participate in their development and for Canada to have a fair and equal opportunity to supply the wheat requirements of such new mills.
 9. The Commonwealth countries of the Caribbean undertake to ensure that Canadian exporters of salted cod are given a fair and equal opportunity to supply the market requirements at prices which will be remunerative to efficient producers and fair to consumers.
 10. To accord fair and equitable treatment to individuals and enterprises of the other parties.
 11. Canada undertakes to require that the origin and Canadian content of any rum marketed in Canada be clearly marked and to use its good offices with the provincial authorities to facilitate the marketing of rum from the Commonwealth Caribbean countries.
 12. In pursuance of the foregoing to establish a Commonwealth Caribbean-Canada Trade and Economic Committee to consult on trade, financial and related matters, which shall meet from time to time at ministerial or senior official level as may be appropriate.

In respect of those territories for which the United Kingdom Government has a responsibility in these matters, this Protocol is being signed with the authority of the Secretary of State for the Colonies.

Done at Ottawa on the eighth day of July 1966 in a single copy in the English and French languages, each version to be equally authentic.

Fait à Ottawa le huitième jour de juillet 1966 en une seule expédition en langues anglaise et française, l'une et l'autre version faisant également foi.

Signed on behalf of the Government of Canada

Signé au nom du Gouvernement du Canada

- Signed on behalf of the Government of Jamaica
- Signé au nom du Gouvernement de la Jamaïque
- Signed on behalf of the Government of Trinidad and Tobago
- Signé au nom du Gouvernement de la Trinité et Tobago
- Signed on behalf of the Government of Guyana
- Signé au nom du Gouvernement de la Guyane
- Signed on behalf of the Government of Antigua
- Signé au nom du Gouvernement d'Antigua
- Signed on behalf of the Government of the Bahamas
- Signé au nom du Gouvernement des Bahamas
- Signed on behalf of the Government of Barbados
- Signé au nom du Gouvernement de la Barbade
- Signed on behalf of the Government of British Honduras
- Signé au nom du Gouvernement du Honduras britannique
- Signed on behalf of the Government of Dominica
- Signé au nom du Gouvernement de la Dominique
- Signed on behalf of the Government of Grenada
- Signé au nom du Gouvernement de Grenade
- Signed on behalf of the Government of Montserrat
- Signé au nom du Gouvernement de Montserrat
- Signed on behalf of the Government of St. Kitts-Nevis-Anguilla
- Signé au nom du Gouvernement de Saint-Christophe-Nevis-Anguilla
- Signed on behalf of the Government of St. Lucia
- Signé au nom du Gouvernement de Sainte-Lucie
- Signed on behalf of the Government of St. Vincent
- Signé au nom du Gouvernement de Saint-Vincent

ANNEX II

CANADIAN GOVERNMENT PROPOSAL ON SUGAR

The Canadian Government proposal regarding raw sugar imports from the Commonwealth Caribbean countries and territories is to provide on a unilateral basis duty free entry for a quantity of raw sugar equal to the average of such imports for the last five years.

This would mean the abolition for such countries and territories only of the present British Preferential Tariff rate of approximately 29 cents a cwt. Any allocation of this tariff quota would be a matter for the Commonwealth Caribbean Governments.

This tariff quota would, of course, be a new tariff preference and could not therefore be implemented before a waiver was obtained from the no-new preference provisions of the GATT. Releases would also be required from the Australian, South African and United Kingdom Governments with whom Canada has trade agreements involving obligations concerning the Canadian tariff on raw sugar. The Canadian Government will be prepared to use its best endeavours with the Canadian sugar refiners to ensure that the amount of the tariff free quota is in fact taken up each year and that the full benefit of the additional margin of preference is received by the West Indian producers.

MEMORANDUM OF UNDERSTANDING

Memorandum of Understanding dated 8 July, 1966, between the University of Guyana (hereinafter referred to as "the University") the Government of Canada, as represented by the External Aid Office (hereinafter referred to as "the EAO") and the Government of Guyana (hereinafter referred to as "Guyana").

PREAMBLE

WHEREAS the Government of Canada has indicated its desire to make a further contribution to the development of higher education in Guyana, through the extension of grant aid support for this purpose;

WHEREAS the Government of Canada and the Government of Guyana have determined that close co-operation to achieve the maximum sustainable growth in the field of higher education would make an effective contribution to sound educational expansion, to the efficient use of resources available for this purpose and to the social, scientific, technological and economic development which would stem from improved educational facilities;

WHEREAS the University is the educational institution primarily charged with the development of higher education in Guyana; and

WHEREAS in the view of Guyana, the University is an appropriate institution through which such Canadian assistance could be channelled;

Now, THEREFORE, the parties are agreed as follows:

1. Under the terms of this memorandum, the Government of Canada, acting through the EAO, undertakes to aid in the development of facilities for higher education in Guyana by making available assistance to a minimum value of \$1 million Canadian, during the total period in which the Memorandum will have effect.

2. The assistance provided by the EAO, under this Memorandum of Understanding, will be channelled towards the implementation of university capital projects. It is understood that technical assistance to the University now being provided by the EAO under its existing development assistance program to Guyana will continue, and that such assistance may include the provision of staff and advisors for the University and of post-graduate scholarships for members of the University staff. Such technical assistance to the University should be provided after consultation between the University and the EAO.

3. The University undertakes, in consultation with the EAO, to develop a plan for, and implement a development program through

which the funds provided under this Memorandum might be most efficiently used.

4. The University, Guyana and the EAO, in order to ensure the most efficient administration of staff provided under the existing development assistance program, undertake to provide support as outlined in a separate Memorandum of Understanding between the EAO and Guyana.

5. The parties to this Memorandum, in order to permit the most efficient use of the funds being made available under this Memorandum, undertake to delineate areas of their respective responsibilities pertaining to individual capital projects prior to their initiation.

6. In respect of projects for which assistance is provided by the EAO, Guyana undertakes to provide exemption from any taxes, fees or customs duties imposed directly, or indirectly, on any material, equipment or services provided by the EAO for the project, and paid for by the EAO.

7. The period of effect of this Memorandum of Understanding shall be for three years from July 8, 1966, unless Guyana or the EAO request in writing with at least six months prior notice that it be terminated.

Done at Ottawa, the eighth day of July, 1966, in three copies, each in the English and French languages.

Signed on behalf of the University of Guyana

Signé au nom de l'Université de la Guyane

Signed on behalf of the Government of Canada

Signé au nom du Gouvernement du Canada

Signed on behalf of the Government of Guyana

Signé au nom du Gouvernement de la Guyane

MEMORANDUM OF UNDERSTANDING

Memorandum of Understanding dated 8 July, 1966, between the Government of Canada as represented by the External Aid Office (hereinafter referred to as "the EAO"), the Governments of Jamaica, Trinidad and Tobago, Antigua, Barbados, Dominica, Grenada, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent, and British Honduras and the Bahamas (hereinafter referred to as "the Governments") and the University of the West Indies (hereinafter referred to as "the University").

PREAMBLE

WHEREAS Canada and the territories referred to above have enjoyed a long and close association in educational matters and the signatories of this Memorandum look forward to the development of closer relations between institutions of higher education in their respective territories;

WHEREAS the Government of Canada has indicated its desire to make a further contribution to the development of higher education in the Commonwealth Caribbean area administered by the Governments referred to above, through the extension of grant aid support for this purpose;

WHEREAS the University of the West Indies is the educational institution primarily charged with administration of higher education in the area;

WHEREAS in the view of the Governments, the University of the West Indies is an appropriate institution through which such Canadian assistance could be made available; and

WHEREAS the Government of Canada, the Governments referred to above and the University have determined that close co-operation to achieve the maximum sustainable growth in the field of higher education would make an effective contribution to sound educational expansion, to the efficient use of resources available for this purpose and to the social, scientific, technological and economic development which would stem from improved educational facilities;

NOW, THEREFORE, the parties hereto are agreed as follows:

1. Under the terms of this Memorandum the Government of Canada, acting through the EAO, undertakes to aid in the development of facilities for higher education in the area, in co-operation with the University, by making available assistance to a minimum value of \$5 million (Canadian) during the total period in which this Memorandum will have effect.

2. The Governments agree that the EAO may provide this assistance directly through and to the University in the manner set out herein or as may hereafter be agreed upon by the signatories.

3. The assistance provided by the EAO will take various forms, including provision of university staff, or scholarships and fellowships for university staff members nominated by the University and tenable in Canada, of bursaries tenable at the University for students from the territories under the jurisdiction of the Governments which are parties to this Agreement, and of assistance with the implementation of university capital projects, including, in special cases, assistance in meeting local costs.

4. The University undertakes, in consultation with the EAO, to develop a plan for, and implement a development program which will permit the assistance provided by the EAO to be efficiently used over the period of this understanding in the categories of: (a) provision of staff, (b) post-graduate scholarships and staff fellowships tenable in Canada and bursaries and scholarships tenable in the University, and (c) capital projects.

5. The University, the Governments and the EAO, in order to ensure the most efficient administration of staff provided under this Memorandum, undertake to provide support as outlined in the Annex to this Memorandum to the Canadian personnel serving in the University.

6. The parties to this Memorandum are agreed that the award of post-graduate scholarships and fellowships tenable in Canada and scholarships and bursaries tenable at the University and the implementation of capital projects will be carried out in accordance with terms and conditions to be negotiated between the University and the EAO and in accordance with the regulations of the University Council and the University Grants Committee.

7. In respect of training to be provided in Canada under this Memorandum, the parties to it undertake to work out suitable arrangements to ensure that trainees return to their area, as desired by their governments and the University, on conclusion of their training program and are afforded an opportunity to make use of the higher levels of competence or technical ability which they will have attained.

8. In respect of any university capital project for which assistance is provided by the EAO, the Government of the territory where the project is located undertakes to provide exemption from any taxes, fees, or customs duties imposed directly or indirectly on any material, equipment or services supplied by the EAO for the project and paid for by the EAO.

9. The period of effect of this Memorandum of Understanding shall be for five years from July 8, 1966, unless the University of the EAO request in writing with at least six months' prior notice that it be terminated. Governments may opt out of it by giving similar notice, in which case the understandings included herein would cease to apply to their territories. Other Governments in the Commonwealth Caribbean area may, with the approval of all the signatories, become parties to this Memorandum of Understanding at any time in the future by subscribing to it.

Done at Ottawa on the eighth day of July, 1966, in a single copy in the English and French languages.

Signé au nom du Gouvernement du Canada

Signed on behalf of the University of the West Indies

Signé au nom de l'Université des Antilles

Signed on behalf of the Government of Jamaica

Signé au nom du Gouvernement de la Jamaïque

Signed on behalf of the Government of Trinidad and Tobago

Signé au nom du Gouvernement de la Trinité et Tobago

Signed on behalf of the Government of Antigua

Signé au nom du Gouvernement d'Antigua

Signed on behalf of the Government of the Bahamas

Signé au nom du Gouvernement des Bahamas

Signed on behalf of the Government of Barbados

Signé au nom du Gouvernement de la Barbade

Signed on behalf of the Government of British Honduras

Signé au nom du Gouvernement du Honduras britannique

Signed on behalf of the Government of Dominica

Signé au nom du Gouvernement de la Dominique

Signed on behalf of the Government of Grenada

Signé au nom du Gouvernement de Grenade

Signed on behalf of the Government of Montserrat

Signé au nom du Gouvernement de Montserrat

Signed on behalf of the Government of St. Kitts-Nevis-Anguilla

Signé au nom du Gouvernement de Saint-Christophe-Nevis-Anguilla

Signed on behalf of the Government of St. Lucia

Signé au nom du Gouvernement de Sainte-Lucie

Signed on behalf of the Government of St. Vincent

Signé au nom du Gouvernement de Saint-Vincent

ANNEX

Conditions governing Canadian personnel serving in the University of the West Indies under the Canadian program of assistance to the University (Canadian personnel hereinafter referred to as "advisers")

PART I: *Assignments of six months or more—*A. *Responsibilities of the EAO*

The Government of Canada through the EAO will provide and pay

1. The adviser's salary, fees, allowances or other emoluments, as set forth in the terms of employment or in the terms of contract, whichever are applicable;
2. The costs of the adviser's travel and that of his dependants (i.e., wife, and children who are under 21) between his normal place of residence in Canada and the points of entry and departure in the West Indies;
3. The costs of transporting, between the adviser's normal place of residence in Canada and the respective points of arrival and departure in the West Indies, his and his dependents' household, professional and personal effects.

B. *Responsibilities of the University*

The University will provide or pay for

1. (a) normal hotel expenses, including meals, for the adviser and his dependants before they are able to occupy permanent accommodation, as well as for an agreed period immediately before departure, after vacating permanent accommodation, or an agreed allowance in lieu of such payment;
- (b) free housing equivalent in standard to that normally accorded to university staff of comparable rank and seniority, or an agreed allowance in lieu of such payment.
2. normal travel expenses for the adviser while travelling away from his usual headquarters on duties arising from his assignment in the University; except it shall be at the discretion of the University to substitute an agreed daily subsistence allowance.
3. transportation:
 - (a) by air, rail, road or water for the adviser when he is travelling on official duty, such transportation to be of similar standard to that normally accorded a member of staff in the University of comparable rank and seniority;
 - (b) between the points of entry and departure and the University, for the adviser's personal, professional and household effects, as described in Section C. 1(a) of the adviser and his dependants, such transportation costs to include, where applicable, customs' clearance and temporary warehousing in relation to arriving shipments and export packing and temporary warehousing in relation to departing shipments.
4. Such other facilities such as medical facilities, office accommodation, and services for the adviser and his dependants, equal in standard to those accorded a member of staff of the University of comparable rank and seniority.

C. Responsibilities of the Governments

1. The Governments will grant exemption from

(a) import, customs and other duties and taxes on the personal, professional and household effects of the adviser and his dependents imported at the time the adviser takes up his assignment, which description shall include, without limiting the generality of the foregoing:

- (1) one automobile,
- (2) reasonable quantities of medicines and special health foods for the personal use of the adviser and his dependents.

provided that:

- (1) item (1) shall be admitted during a period not exceeding six months after the date of first entry,
- (2) item (2) shall be admitted throughout the entire period of an assignment

and

(3) import, customs and other duties and taxes shall be paid by the adviser according to the applicable laws and regulations, if these goods are sold or otherwise disposed of; unless otherwise approved by the Governments;

(b) all resident and local taxes, including income taxes, with respect to:

- (1) the salary, fees, allowances or other emoluments paid by the Government of Canada, and
- (2) any income of the adviser arising outside of the area on which income or other similar forms of taxation are paid to the Government of Canada or to any Province of Canada.

2. Governments agree to help in expediting the clearance through Customs of any personal, professional and household effects of the adviser and of his dependents.

D. Understanding on Leave

It is mutually understood that an adviser is normally entitled to eight weeks local leave per annum which may be taken at a time, or times, to be arranged between the adviser and the University.

PART II: Assignments of six months or less—

1. The responsibilities of the EAO, the University and the Governments with respect to the adviser on an assignment of less than six months will normally be assumed in a manner consistent with the provisions set forth in Part I of this Annex.

2. An adviser on an assignment of less than six months will normally not be accompanied by his dependents and, therefore, the EAO, the University and the Governments will normally not assume any responsibilities in respect of such dependents. In exceptional cases, however, agreement may be reached between the University, the Governments, and the EAO whereby certain responsibilities for dependents will be assumed in a manner consistent with the provisions set forth in Part I of this annex.

STATEMENT MADE AT THE PLENARY SESSION

BY THE

HONOURABLE ROBERT C. LIGHTBOURNE

MINISTER OF TRADE AND INDUSTRY OF JAMAICA

The goodwill that has brought us together is not a matter of question, and I know that we have all come here in the hope that we can formulate an agreement capable of bestowing benefits upon our respective countries—an agreement that will permit its signatories to generate an ever increasing flow of reciprocal trade between themselves.

However, before we begin collective consideration of what could or should be suitable terms for such an agreement, I propose, if I may, to attempt a brief review of the trading picture which has developed between us over the years and thereafter to make a short examination of how far our trading has been either stimulated or impaired by—

- (a) the existing Canada West Indies Agreement; or
- (b) forces other than that Agreement.

If we begin by looking at our present trading figures, we see that overall trade between us has expanded substantially. If we next break down those figures we see that exports from Canada have been spread over a wide and diverse range of products, if I may so suggest, in sound fashion, limited only by the purchasing power of the West Indies. However, if we next look at our own exports to Canada, we see no diversification whatever as 90 per cent of our exports have been confined to three commodities—alumina, petroleum products and sugar. Nor a very healthy trading pattern since the exports of the first two commodities unfortunately represent exports of wasting capital assets which must ultimately peter out; and, possessing as we do a very limited range of raw resources—in fact, it is believed that these two minerals are the only ones we possess in meaningful quantity—if we are to have a future, then clearly we must find means to diversify our trade, and we must do so quickly, so that when these two resources are exhausted—we will have adequate alternatives to replace them.

As for sugar the unstable nature of this commodity is historical and the current situation could hardly present a more woebegone and depressing picture. Regrettably, in this particular case, the workings of the 1925 Agreement have not met the expectations of the West Indies, since the preference accorded to us within the Agreement has proved to be actually lower than that accorded to any Commonwealth country.

However since sugar is a separate subject I do not propose anticipating its discussion at this stage, other than to say how heartened I have been at the several expressions of my colleague the Honourable Robert Winters who has indeed shown a refreshing attitude towards this subject of sugar, the production of which is almost a way of life to us in the West Indies.

To summarise our trading picture, therefore, while our trade has developed in volume—

- (a) there is clear need for the West Indies to diversify the range of their exports to Canada;
- (b) Canada has developed a healthy range of export products, and her export trade should be able to expand as the West Indies purchasing power increases.

Let me next attempt a quick examination of how far West Indian and Canadian exports have been affected by the Canada West Indies Agreement.

In the case of the West Indies, examination shows that on a number of items, the margins of the preferences made available to us under the Agreement, have over the years been severely reduced, in the light of other levels of tariffs applicable to countries which are not parties to the Agreement.

The next factor which I submit has been a serious impediment to the West Indies diversifying their trade, is the requirement in the existing Agreement as to how goods must be shipped in order to qualify for preferences. Except in the case of a few products which may be trans-shipped at Cristobal, a concession of little value, goods must be shipped direct to Canadian ports. While I can understand the reason which underlay this requirement when it was introduced, with the withdrawal of the Canadian National Steamship Services in 1957—this provision in the face of infrequent direct shipping facilities to Canada is inimical to the development of exports from the West Indies, and I submit that it not longer has any justification.

Now the next factor to which I wish to draw attention, as being detrimental to West Indian export trade to Canada, does not form a part of the Canada-West Indies agreement, but has proven nonetheless to be a tremendous barrier.

This is the method of valuation for customs purposes. Current Canadian practice will undoubtedly defeat any efforts that we may jointly make unless special provisions are made in respect of manufactured goods originating in the West Indies. This factor is of particular importance in the attempt which we must make to diversify our exports. To fully appreciate this point, it must be recognized that in our territories we lack basic raw materials and these must be imported.

Under the present system of customs valuation, the import duty which would normally be paid on such raw materials must be added, as would be the case if the finished products were entering into home consumption. Further, a margin of up to 25 per cent is usually added as notional profit. In effect, exports of products based on imported raw materials are thereby virtually debarred from the Canadian market. With such a system in operation, there can be little hope of any trade expansion in manufactured and semi-manufactured goods, and I submit that so long as these provisions apply, our task of diversification will be an impossible one in so far as the Canadian market is concerned.

What of Canada's exports to us? What inhibiting factors has she been asked to face? I think I can put that side of the case as simply as this. No similar obstacles have been placed in Canada's paths in our trade with her.

Before proceeding to consider what terms are necessary either to revise the old or to make a new Agreement I think in the light of past history we should ask ourselves these questions. Were the objectives which the existing Agreement sought to achieve negatived because:—

- (a) Unsuitable terms were agreed upon or
- (b) Were the things we intended to achieve subsequently side-tracked through adverse administrative interpretation—interpretations usually bedevilled by limited discretionary powers or
- (c) was it due to subsequent trade arrangements being made by Canada with third countries without consideration of any possible side effects on our Agreement;
- (d) was it a combination of any or all of the foregoing factors; or
- (e) was it due to some other as yet un-considered and unidentified reason.

I pose these questions, and leave them temporarily in the air as necessary pre-considerations to our making a satisfactory agreement to our mutual benefit.

Mr. Chairman, while I have been obliged up to the present point to dwell almost entirely on the past, so as to ensure as far as possible, that on this occasion whatever we seek to achieve, will not be thwarted, I also submit that it is equally appropriate at this time, for us to consider certain current developments which may well have considerable influence on any agreement that we may arrive at, and here I specifically refer to the Kennedy Round.

As a representative of a developing country I must respect Canada's wish to help the developing countries of the world. However, I would be lacking in realism if I did not point out that the Canadian intention of liberalising trading opportunities of these countries threatens to destroy the preferential position of the West Indies in the Canadian Market. Stated simply, the West Indies position is that we cannot afford a further reduction of the preference that the 1925 Agreement was intended to ensure, and we cannot contemplate with equanimity any gestures by Canada which may operate against potential West Indian export of manufactures and semi-manufactures to Canada. I wish to assure you that the concern of the West Indies in this matter is profound, and we sincerely trust that means will be found to compensate us in trade terms for the loss which seems inevitable.

Mr. Chairman, the developing countries as a whole have no easy task ahead of them and we of the West Indies might almost be described as unique and special problems within the broad group of developing countries, a fact which was recognised at the last conference of Commonwealth Trade Ministers. Geographically we are situated almost out of context with all that immediately surrounds us, while our small size inhibits our taking any advantage of economies of scale. And yet those who visit us and come to know us know that in spite of our physical handicaps we have never spared effort to develop ourselves, since we have no desire to live on mendicancy. Also we equally realise that we have a role to play in maintaining and strengthening the political stability of both the area around us and those young nations which have politically faltered in their incipient nationhood, by exhibiting the fact to the world that small preponderantly coloured countries can govern themselves in responsible fashion.



First Session—Twenty-seventh Parliament

1966-67

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
EXTERNAL RELATIONS

The Honourable **G. S. THORVALDSON**, *Chairman*

The Honourable **L. M. GOUIN**, *Deputy Chairman*

No. 5

Fifth Proceedings on the Inquiry into Commonwealth Relationships,
with particular reference to the position of Canada within
the Commonwealth

WEDNESDAY, MARCH 15th, 1967

WITNESS:

Department of External Affairs: The Honourable Paul Martin, Minister.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967



First Session—Twenty-seventh Parliament

1956-57

THE STANDING COMMITTEE ON EXTERNAL RELATIONS

The Honourable G. S. Thorvaldson, *Chairman*

The Honourable L. M. Gouin, *Deputy Chairman*

The Honourable Senators

Benidickson,
Blois,
Boucher,
Cameron,
Cook,
Croll,
Farris,
Fergusson,
Flynn,
Fournier (*de Lanaudière*),
Gouin,
Grosart,
Haig,
Hayden,
Hnatyshyn,

Inman,
Macdonald (*Brantford*),
MacKenzie,
O'Leary (*Carleton*),
Pouliot,
Quart,
Rattenbury,
Roebuck,
Savoie,
Smith (*Queens-Shelburne*),
Thorvaldson,
Vaillancourt,
Vien,
Yuzyk—(29).

Ex officio members: Brooks and Connolly (*Ottawa West*).

(Quorum 7)

First Proceedings on the Inquiry into Commonwealth Relations
with particular reference to the position of Canada within
the Commonwealth

WEDNESDAY, MARCH 15th, 1957

WITNESS:

Department of External Affairs: The Honourable Paul Martin, Minister.

ORDER OF REFERENCE

Extracts from the Minutes of the Proceedings of the Senate, Wednesday, March 9, 1966:

"The Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Hnatyshyn:

That the Standing Committee on External Relations be authorized to inquire into the question of Commonwealth relations with particular reference to the position of Canada within the Commonwealth;

That the Committee have power to send for persons, papers and records, and to sit during sittings and adjournments of the Senate;

That the evidence received and taken on the subject at the preceding session be referred to the Committee; and

That the Committee be instructed to report to the House from time to time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MACNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, March 15th, 1967.

Pursuant to adjournment and notice the Standing Committee on External Relations met this day at 9.30 a.m.

Present: The Honourable Senators Thorvaldson (*Chairman*), Blois, Brooks, Cameron, Connolly (*Ottawa West*), Cook, Croll, Flynn, Gouin, Haig, Hnatyshyn, Inman, Macdonald (*Brantford*), MacKenzie, O'Leary (*Carleton*), Quart, Smith (*Queens-Shelburne*), and Yuzyk. (18)

The following witness was heard:

Department of External Affairs:

The Honourable Paul Martin, Minister.

Mr. Martin made a statement with respect to N.A.T.O., after which he invited questions on this or any other subject of interest to the Committee.

At 11.00 a.m. the Chairman extended to Mr. Martin the thanks of the Committee, whereupon the Committee adjourned to the call of the Chairman.

Attest.

Frank A. Jackson,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

Wednesday, March 16th, 1967.

Pursuant to adjournment and notice the Standing Committee on External Relations met this day at 9.30 a.m.

Present: The Honourable Senators Thorvaldson (Chairman), Blais, Brooks, Cameron, Connelly (Ottawa West), Cook, Croft, Flynn, Gouin, Hark, Harquydyk, Inman, Macdonald (Brentford), MacKenzie, O'Leary (Carleton), Quirt, Smith (Queens-Shepparton), and Yuzvick. (18)

The following witness was heard:
Department of External Affairs:

The Honourable Paul Martin, Minister.

Mr. Martin made a statement with respect to N.A.T.O., after which he invited questions on this or any other subject of interest to the Committee.

At 11.00 a.m. the Chairman extended to Mr. Martin the thanks of the Committee whereupon the Committee adjourned to the call of the Chairman.

Attest:

Frank A. Jackson,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON EXTERNAL RELATIONS

EVIDENCE

OTTAWA, Wednesday, March 15, 1967.

The Standing Committee on External Relations, to which was referred the question of Commonwealth relationships with particular reference to the position of Canada within the Commonwealth, met this day at 9.30 a.m.

Senator GUNNAR S. THORVALDSON in the Chair.

The CHAIRMAN: Honourable senators, we have a quorum, and we will now proceed with this meeting.

We do not require a separate motion for printing because this was dealt with at the beginning of the session. We are very pleased to have this morning the Secretary of State for External Affairs, and we welcome him to this meeting. He can be with us until approximately 10.50, and if we have not concluded our questioning in that time he has indicated that he will return to this committee at a future time. Mr. Martin.

Hon. Paul Martin, Secretary of State for External Affairs: Mr. Chairman, members of the committee, I was very pleased to accept the suggestion to appear before you this morning. I should like to say that I would welcome an opportunity for continuous contact with the Senate. I believe there is nothing more important than foreign affairs facing the Government of Canada. If it could be arranged I would be very happy to appear continually at regular intervals.

Senator CONNOLLY (*Ottawa West*): You would not like to make it a permanent arrangement, would you?

Senator CROLL: I was going to suggest that.

Hon. Mr. MARTIN: I should like to say that I had suggested to the chairman that I might take a few moments this morning, about 10 minutes or so, to make a brief commentary on the Government's present policy with regard to NATO. I would then be prepared to deal with any questions on this subject, or any other aspect of foreign policy for that matter, that honourable members of this chamber would wish to put to me. Then, if it is not possible to conclude the session this morning, I will be ready to be here this afternoon or tomorrow or at any time.

I have followed your recent discussions on NATO with considerable interest. The subject is both important and timely. The Government is aware of the need to consider anew the future role of NATO and Canada's place in that organization. The situation in Europe, in the East as well as in the West, is changing. The requirement for a high level of collective defence, which no one could deny when Western Europe was vulnerable to Soviet political and military pressure, is now admittedly no longer unquestioned. For the first time, however, there is hope and, indeed, expectations that in time we can work out a peace settlement in Europe.

In this changing situation it is appropriate to ask ourselves whether existing international institutions—in this case NATO—are well adapted for the achievement of the tasks ahead and for the satisfaction of our interests and our objectives.

In spite of the achievement of independence by many new nations in the past decade and the changes in international obligations which this and other developments have caused for Canada, Europe remains, it seems to me, a primary focus of interest for Canada.

Within Europe what do we seek? For my part, I believe it is self-evident that our interest lies in a stable Europe, whose internal difficulties will not constitute a threat to the peace of the world. This will require ultimately a German peace settlement and an end to the present division in Europe.

These aims will be difficult to achieve. Unless we understand the circumstances of these difficulties, I am sure that we will not be able to achieve what we have in mind. There are no easy solutions when basic conflicts of interest have to be reconciled; the more so when this process takes place against a legacy of suspicion fed by ideological differences, past ill will and continuing world-wide rivalry. So, solutions will take time; they will take patience and hard work. In the meantime, guided by a clear perception of the final goals and of the genuine and major obstacles to be surmounted, we can and must take firm steps along the way.

Among our immediate objectives I would include the improvement of East-West relations and, in particular, the establishment of better relations between the Federal Republic of Germany and the countries of eastern Europe. Germany is the heart of the European problem; and the European problem is the heart of the problems of the world, in spite of the dislocations that exist in particular areas, notably in Indo-China. The improvement of East-West relations will help further reduce tension and promote the confidence essential to a lasting settlement; and this, in turn, will mean the end of the division in Europe.

These objectives that I have stated in general terms are shared by all of our allies, without exception, in the NATO alliance and Canada believes that NATO can contribute significantly to their achievement.

The requirement now is to decide what concrete steps should be taken. The last ministerial meeting in Paris in December adopted a suggestion I put forward in 1964, on behalf of the Government, that we study the future talks of the alliance. This was before General de Gaulle indicated French withdrawal from the integrated force structure and asked the United States and Canada to vacate the bases respectively occupied by those two countries in France. I look to this study—which I hope will be completed in time for consideration at the ministerial meeting next December—to set the future course for NATO.

Meanwhile, all members are seeking to improve East-West relations through bilateral channels. Practically every foreign minister of the fifteen countries in the NATO alliance has paid extensive visits to eastern Europe. I made a visit to, and engaged in some talks in Warsaw last November and in Moscow at about the same time, not only with my opposite numbers, but with the heads of government and, in the case of the Soviet Union, with Mr. Kosygin and Mr. Podgorny, the head of state, and the secretary of the party, Chairman Brezhnev.

In some quarters there is misunderstanding about the importance of the year 1969 for NATO. The impression is widespread that in that year the alliance will come to an end, or that member states must formally recommit themselves to NATO, or that the treaty must be revised. This is not the situation. The only significance of 1969 is that the North Atlantic Treaty provides that in that year—which will be the twentieth anniversary of its ratification—it becomes legal for members to withdraw, on giving one year's notice of intention.

There are some critics who consider that NATO, as an organization founded to resist possible Soviet aggression, is handicapped by its past and not equipped

to promote a peace settlement. Others say that NATO is obsolete and no longer needed. Some even go so far as to argue that NATO's mere existence obstructs the movement towards a peace settlement.

It seems to me that before reaching any such conclusions one has to consider the benefits which NATO provides. As I see these, they are:

Firstly, NATO's combined military strength has deterred possible Soviet military or political penetration of western Europe. At a time when relations with the Soviet Union may be slowly improving, the maintenance of effective deterrent forces is a form of insurance against the danger of an unexpected recurrence of Soviet hostility. Nor can we afford to overlook the fact that Soviet military power in eastern Europe, far from being diminished, has over the years been augmented and perfected. This is a fact to be set on the scales in assessing how we should respond to the more forthcoming Soviet political posture. The Soviet Union's own actions suggest that they find no incongruity in combining military preparedness with political negotiations. I should say, in fairness, this is also true of the position which the West takes.

What I am submitting this morning is that we should for the time being hold up our guard but, at the same time, engage in vigorous, peaceful negotiations. Should we be any less flexible than the Soviet Union? Sure of our strength, can we not more confidently work to improve East-West relations? And has past experience not demonstrated that the solidarity and the strength of the fifteen over the past, have caused the development of Soviet interest in a European peace settlement?

It is true that the strength of the countries of western Europe has grown enormously since the NATO alliance was formed. Nevertheless, these countries together, let alone separately, could not match Soviet military power.

I believe it is significant that France, although it has withdrawn from NATO's integrated military structure, has indicated through the General its intention of remaining in the alliance even beyond 1969, as the Foreign Minister told us at the last ministerial meeting in Paris. Moreover, France while it has required the withdrawal of United States and Canadian forces from French territory, has not advocated the withdrawal of these forces from Europe.

Secondly, I wonder if the Soviet and eastern European leaders have not come increasingly to regard NATO as a stabilizing force in Europe. They may well look to NATO, and to the Warsaw Pact for that matter, to prevent the emergence of nationalist elements in Europe. Perhaps the clearest evidence of this approach appeared in some Yugoslav and Polish journals last year when there was speculation that French action in NATO might lead to its breakup. These journals wrote apprehensively of such a development, showing concern that the countries of western Europe would in such a circumstance develop their own national forces which would not be subject to the constraints of international command.

This would indicate, in spite of some continuing Soviet propaganda against NATO, that the Soviet and east European leaders increasingly regard NATO as a force for stability in a divided Europe. Nothing which the Soviet or Polish leaders said—or did not say—to me during my recent visit to eastern Europe in any way contradicts this impression.

While emphasizing our interest in seeing an improvement in East-West relations, I would like to say that in my talks I deliberately made clear to our Soviet and Polish colleagues that in the judgment of the Canadian Government NATO had an essential role to play at the present time, and that Canada would contribute forces to it.

Thirdly, NATO has helped to restore the confidence of the peoples and the governments of western Europe which had been shattered by the experience of

the Second World War. This has been achieved in spite of continuing dependence on the deterrent force of the United States, which is fully admitted even by France. The extent of this revived self-confidence was well demonstrated by the remarkable speed and effectiveness of the adjustment within the alliance to the French decision last year to withdraw from the integrated military structure, when General de Gaulle announced France's withdrawal from the integrated military structure and called upon Canada and the United States to close their bases. Within a few days the fourteen remaining countries affirmed their belief in the continued need and *raison d'être* of the organization. I stated our position in the House of Commons, and there were expressions of support from all parties for the position which the Canadian Government took at that time.

The situation in Germany, in particular because of its geographic location and the division of its territory, admittedly remains difficult. It is increasingly accepted and acknowledged within Germany that the government of West Germany must eventually reach some understanding and some accommodation with its Communist eastern neighbours. This will involve the German government now and in the future in taking some difficult decisions. Obviously, the German government cannot be forced into agreements with the countries of eastern Europe. They must take the necessary decision themselves, just as we must be free to take our decisions.

But, is it not important, particularly at a time when there is a German government which is prepared to act, that that government should not be inhibited or restrained by concern for its future security? Will such action not be better understood and appreciated in western Europe if Germany is acting within the framework of an alliance?

Finally, I believe, and so does the Government, that NATO has provided an effective framework for consultation and, if necessary, for action. This, of course, does not prevent bilateral activity by members of the alliance. The decision of the Canadian Government that I should go to Warsaw and Moscow last November was a decision taken by the Canadian Government, and by the Canadian Government alone. However, I felt constrained, as do all other foreign ministers in the alliance, to make a report to our allies, as I did, on the conversations I had. Such reports ensure that such bilateral action is not only understood and taken into account by one's allies, but there is a strong disposition to see that one's allies are given the full advantage of whatever conclusions are reached.

I should like to emphasize that I made it clear that while we were strong for *détente* there could be no mistake about our view for the continued need of NATO at the present time.

So, my trip to eastern Europe last November was taken for Canadian reasons, but I was conscious at the time, as I say, of playing a Canadian part in a larger effort to improve East-West relations.

Now, we should not forget that NATO is an organization spanning the Atlantic in which 15 countries now for almost 20 years have increasingly learned to consult with one another. This is a significant achievement. When you think of the difficulties prior to the First World War, the difficulties between the two wars, and the difficulties at the beginning of the Second World War, it can be seen that this capacity to consult readily is in itself a great achievement, and one that must not be lost, regardless of the military role to be played by NATO in the future.

The Alliance has proven to be a flexible instrument, capable of adjusting to the requirements of the times. Its *raison d'être* may change and broaden as the political tasks assume priority. But, as I see it, the organization has shown itself capable of making the necessary adjustment. Does this not merit consideration in our assessment of the continuing value of this Alliance?

I was heartened by the debate which you had, and the view that I think everyone took about the importance of NATO at the present time—a view that the Canadian Government continues to take, as I say.

There is another consideration, however, which is often overlooked. NATO has over the years served in a tangible way to strengthen our connections with the countries of western Europe. As a North American nation in a world moving towards continentalism, is it not in our national interest to develop every reasonable link—political, economic, military, social and cultural—with the countries beyond the Atlantic? We had hopes, when NATO was established, that the Alliance would become the nucleus of a political community linking Canada with the United States and Europe. If this had happened NATO might have served as the instrument for balancing our major international relationships. But this so far has not happened, and there is no evidence that any member of the Alliance now is ready to submerge national sovereignty in any supra-national political authority which would represent a true Atlantic community. In this circumstance, where our national interest calls for the greatest possible links with the countries of western Europe, are we not furthering this policy through active participation in NATO?

As a small illustration of this benefit which we derive from our participation in NATO, the annual meetings of the NATO Parliamentarians come immediately to mind. This organization which owes its origin to a former distinguished member of your chamber, Senator Wishart Robertson, is to my knowledge the only institution which brings Canadian members of Parliament together with colleagues from all of Western Europe to discuss common problems.

I believe from the personal experience that some of you have had of these meetings you will have had brought home to you the significance and importance of this connection. I would like to emphasize that the Government is only too anxious, and I am only too anxious, to share in the preparatory stages of these conferences for you and for members of my own chamber. But I must emphasize that this is a body that is not in any way official. It does not in any way represent the Government. It is an autonomous body, and the extent of the liaison is one which must finally be determined by the parliamentarians themselves.

Another line of argument recently put forward in our country is that Canadian military forces in Western Europe no longer have military significance and should be withdrawn. It is certainly true that the European nations have built up their armed forces to the level where our contribution is relatively less important militarily than it was ten years ago. But does it follow that we could withdraw forces without provoking unintended consequences?

The North Atlantic Treaty and associated agreements provide that member states will not significantly reduce their assigned forces without the agreement of their allies. The allies recognize that members of the Alliance may at some time or other have no alternative to reducing their commitments. But in Canada's case the normal arguments for a withdrawal of forces would not be persuasive, in my judgment. It is a major requirement for our forces at the present time. Our total defence budget as a percentage of gross national product is in fact one of the lowest among the countries in NATO. The number of men in our forces as a percentage of population is likewise one of the lowest among NATO countries.

It would of course remain open to Canada to go our own way. But a unilateral decision to withdraw forces could have significant political consequences for the western world. It could start a chain reaction by exerting pressure for similar action on the governments of the other members of the Alliance, which are just as concerned at the cost of providing defence forces. It could damage the fabric of cooperation that has been established now for 20 years. It could do harm to Canada's good name with its allies. It could cause our

allies to ask themselves whether we are making a respectable contribution to maintaining security in the world.

I heard last night a strong criticism of my attitude with regard to NATO. There certainly must never be any restriction on the right of dissent in this country. But in my capacity as foreign minister in Canada I would regard it as a matter of the gravest significance if any such unilateral decision were to be made in present circumstances.

Now, I do not say that these considerations are necessarily of lasting validity. I am not insensitive, nor is the Government, to the argument that Canada's contribution be made from bases in Canada. Indeed, Canada provides a battalion, which is stationed in Canada, for what is known as the ACE Mobile Force for use on NATO's northern flank. The day may come, with changes in technology and strategy, where it would be feasible and satisfactory to ourselves and to our allies to make our entire contribution from Canada. But in the meantime Canada, as a responsible member of the international community, cannot fail to take into account the political consequences of unilateral action to withdraw forces from Europe. By the same token, Canada must feel strongly that any unilateral action contemplated by any individual member state would have to bear the same strictures in so far as Canada is concerned.

If one agrees that Canada should continue to make appropriate contributions to NATO forces in Europe, and I certainly do, it does not of course mean that the character or level of our present contribution should remain static. Obviously our contribution must relate to changing requirements. If, for instance, it should prove possible to reach agreement on mutual reductions of NATO and Warsaw Pact forces, this could affect the level of Canadian and United States forces in Europe.

This is not of course the only arms control measure which we seek. Indeed, as I have already indicated, the Government will support efforts to improve East-West relations and to achieve disarmament agreements, thereby increasing our security in Europe and in the world.

The specific form of our contribution is under continuing review, and it has in fact changed significantly over the years. One example will, I think, illustrate my point. In the middle fifties Canada provided twelve squadrons of F-86 interceptor aircraft to NATO. These were replaced in the early sixties by eight squadrons of F-104 aircraft, six squadrons of which had a strike role and two a reconnaissance role. This year as a result of attrition we are reducing the number of squadrons of strike aircraft from eight to six. At some time in the seventies all the F-104 aircraft will be phased out. At the appropriate time in the future the Government will have to decide what position to take on a follow-on aircraft.

It will be apparent that changes of weapons of the kind I have illustrated are of necessity gradual. First, each national contribution represents only a part of the total forces available to the NATO commanders and adjustments in these contributions must be phased into the over all plan.

Secondly, the expense of modern weapons is such that a commitment, once the equipment has been procured and the training completed, cannot lightly be abandoned in favour of another commitment requiring new equipment and training.

In summary, Mr. Chairman, I think I have mentioned some of the considerations which affect the Government's present policy to NATO, and it seems to me that these support the argument that continuation of the Alliance will actually facilitate progress towards an eventual peace settlement, and can in the meantime assist in the improvement of East-West relations.

A recent European visitor to my office, a man with a profound understanding of European problems, put the issue to me in this way. He said: «NATO is

essential to my country. What other organization links Europe and North America, brings Germany into an alliance relationship with other nations of Western Europe, prevents France and the other larger Western European states from dominating their neighbours, and makes it possible for the Western European nations to treat on a basis of equality with the Russians."

I would subscribe to that characterization of the present value of NATO to Canada.

I have also outlined certain considerations which suggest that the withdrawal of Canadian forces from Europe could disturb the fabric of co-operation and hence prejudice NATO's ability contribute to the development of the kind of conditions in Europe necessary in the long run for the achievement of a European settlement. The maintenance of appropriate Canadian forces in Europe also serves to increase our links with the countries of Europe which are so necessary in a world moving continentalism, whether it be in Europe, in North America, in Asia, in Africa, or in Latin America.

At the same time, I would remind you of what I have said about achieving mutual reductions of forces between NATO and Warsaw Pact companies. At the last NATO ministerial meeting, speaking for Canada, I said that we should envisage a process of mutual disengagement in Europe. But the important word there is "mutual".

I have indicated that the precise nature of our contribution to NATO is under review continually. Our future commitment will take into account the relevance of that commitment to collective security and to the major political objective of a peaceful settlement in Europe.

Mr. Chairman, I would be very pleased to answer questions.

The CHAIRMAN: Before proceeding further, may I refer to the fact that we have as guests at our meeting this morning several members of the Diplomatic Corps.

I would say to these gentlemen that we are very pleased to have them here and we welcome them most sincerely to this meeting.

Senator MACKENZIE: We are all very much impressed by the point made by Mr. Martin regarding the trend in the world toward continentalism. I think it is an accurate summary of what seems to be happening.

This does create for Canada, in my opinion, historically, a problem of our relationship; because, in terms of our geography and other interests we are essentially a North American nation, but our relevant strength vis-a-vis the United States makes it difficult in a continental system for us to be other than a satellite. It was because of that, and it is because of that, that I have had an interest in NATO and the development of the Atlantic Community from the outside.

This increases as the possibility of Britain's entry into the European Common Market continues to focus attention, because it would affect us, not only in the military sense and the political sense but perhaps, immediately more important, in the economic sense.

My question, which has been prefaced by these remarks, is whether there are developments that can indicate measures to pursue that will achieve some of the earlier hopes in respect of the Atlantic Community, not only in the military sense, which has served its purpose, as you have said, but in the economic and political senses, which will be basic, I think, to Canada's independence in the continental world.

Hon. Mr. MARTIN: Senator MacKenzie, that is a fine statement. I know you are interested in this subject. I have read some of your articles in another period on this problem.

I would say, first of all, it continues to be our foreign policy that we should strive toward a wider Atlantic Community. Our expectations, however, have not been greatly encouraged in recent years. Some countries in NATO—one, in particular—do not readily subscribe to our view, and yours, of an Atlantic Community.

As you know, under Article 2 of the Treaty we had caused to be included in that document a provision for providing for economic as well as military collaboration. In spite of efforts made by successive Canadian governments, it has not been possible, within the precincts of NATO, itself, to develop that kind of collaboration. But in O.E.C.D., the Organization for European Co-operation and Development, which is made up of all of the NATO members, other European states and Japan, the economic collaboration which we envisaged for NATO is pursued—and, I think, with some considerable success.

For instance, at the last NATO ministerial meeting, the Italian Government proposed consideration of the gap between the technological advance of North America and Europe, and called upon NATO to examine this gap, to try to give to the European countries greater opportunities for sharing in modern technological advancement. This is a question which will be pursued in O.E.C.D.

But if we have not succeeded in the realization of the Atlantic dream, we have at any rate the European Common Market, we have EFTA, we have the application of Britain, and possibly all of the EFTA countries for participation in the European Common Market.

I should think that our aim is—and this is the Government's overall policy and objective—to widen this group of countries, at some stage, into an Atlantic area, not only for economic but for political reasons.

Those who advocate the disbandment of NATO, military disbandment, overlook, I think, the great importance of the Alliance itself. This Alliance need not be an inward looking organization. It must not fail to take into account the inter-dependence of the world, our obligations to other sectors.

But there is no doubt that the Western world does have qualities of community of interest that warrant us creating and perpetuating an organism for our benefit. And believe me, the task of creating an organism that is readily available for political consultation—altogether apart from the military collective action—is by no means easy.

It would be a matter of the greatest tragedy, in my judgment, if we were not to recognize at least what President de Gaulle has laid down as the importance of the concept of an alliance of like-minded members. The advantage of this, long after the need for military contribution will have gone, will be very great for us, and particularly for Canada.

Canada is a small country on the North American continent, next to the most powerful country in the world, perhaps the most powerful country in the history of the world, a country with whom we enjoy close collaboration.

Nevertheless, if we are sometimes concerned about economic influence, we ought to be concerned about other kinds of influences. It is very much in our interests to have a European connection, a European participation, and perhaps also a hemispheric participation.

This Alliance, NATO itself, does give us the basis for continuous European contact, which I believe is necessary to avoid the dangerous results that flow from North American isolation.

All of this in turn, as you say, could provide the basis of a strong concept of an Atlantic community to serve both our political and our economic interests, and it is one towards which we must continue to move.

Senator FLYNN: May I ask the minister, Mr. Chairman, if he sees a contradiction between the economic ends of the Alliance and the purposes of the European Common Market? Because, if Great Britain enters the Common

Market, it is mainly to meet the economic challenge of the United States, and, therefore, would it not isolate Canada or push Canada towards the United States?

Hon. Mr. MARTIN: You mean if Britain got into the market would that not prejudice the Canadian position?

Senator FLYNN: Well, it would push us in a direction other than the one we are trying to take with the NATO Alliance.

Hon. Mr. MARTIN: I think it is only natural that Britain should have her eye on the large market that Europe affords. The population of Europe speaks for itself in terms of economic potential for Britain. It is not for Canada to say whether Britain should get into the Common Market. That is a decision for Britain. But while, admittedly, it might at the beginning cause some difficulties for us in agriculture, perhaps in newsprint, and perhaps in aluminum, it might likewise be that in the long term the benefits of British participation would inure to us, particularly if the Common Market were to widen and to become—what Senator MacKenzie envisaged a moment ago—part of the wider Atlantic community which would include the United States.

It is very much in the Canadian interest to think in terms of this community rather than to think in terms of a U.S.-Canadian common market arrangement. We should think in terms of a multilateral body including the United States, Great Britain and the European countries both in the Common Market and in EFTA.

This is the objective towards which we are striving, and part of the GATT discussions in Geneva, which are making some progress by the way, are directed towards this end.

Senator BROOKS: Mr. Chairman, Mr. Minister, I noticed that the minister emphasized the fact that there must be a balance among the deterrent forces. I was at the NATO conference in Paris last year.

Hon. Mr. MARTIN: Yes, I know that.

Senator BROOKS: And I know that there were nations there which were very much concerned over the situation at that time, owing to the fact that there had been a great change because France did not wish to integrate or have troops on her soil.

First, I would ask the minister if that situation has been adjusted? There was the question of pipe lines and bases and so on. This may be classified information; I do not know. But I know that Italy, for instance, was very much concerned that she was on the flank; she thought the whole defence had been divided on account of this move by France. Greece felt the same; Turkey felt the same, and then there were objections from Holland, Belgium and the nations on the other side. They felt that by having to move out of France it left too narrow a line between Germany and Russia. They felt that Germany was right up against the Russian attack, if there should be one, and that it left them no space to operate in. They also knew that the lines of communication from the ports in France which had been built up by NATO, and also the pipe lines which had been built up to what might have been or would have been a front line, had been very much disturbed.

This is one question I would like to ask: has that situation been adjusted?

Another point was whether the nuclear deterrent did not seem to our people more of a deterrent than the troops which were occupying what might be called the line between the Russians and ourselves. Of course, the forces which we had were more or less balanced with Russia's, but those nations felt that Russia had the edge with all the troops she had on the eastern front and with the eight or ten divisions she had in the Urals—those special troops which she could place in different positions at any time. I understand that the Russians had something

like 120 or 130 divisions in those countries, whereas the number of our divisions was much less and, of course, Canada's part was only a brigade. I think our brigade was attached to a British division, although I am not sure, and our air force was attached to the American air force. We really had no separate command of our own in France or in NATO.

My two questions then, are: has there been an adjustment made which is satisfactory to NATO; and, are we relying on the nuclear deterrent and the force deterrent as well—that is, do they interlock?

Hon. Mr. MARTIN: The immediate answer to your last question, Senator Brooks, is "yes"—that as well as the other military contribution that NATO can make.

Now, when the French announced that they did not intend to take part in integrated force structure or in integrated command structure, and asked the United States and Canada to vacate their bases—and this we will do, by the way, by April 1 in accord with the imposition placed on us by the French Government—this left open, of course, the question of what happens to the whole infrastructure, including the whole pipe line system that has been laboriously and expensively built up.

Senator BROOKS: Yes, and just on that point, it is billions of dollars, I understand, and not just millions.

Hon. Mr. MARTIN: I cannot give you the exact cost, but it is a very expensive structure. Now, we have made some progress, but I am not in a position, publicly, to say what the collective attitude will be with regard to this pipe line arrangement in France, this infrastructure arrangement in France, or what compensation we might seek in lieu thereof.

Senator BROOKS: From whom would you seek compensation?

Hon. Mr. MARTIN: From France. France has the responsibility along with the rest of us for this. Just to leave this would be unfair to our economic and military interests. When I say our, I mean NATO's interests. But this question is tied in with many other questions, such as the right to over-flight. It is tied in with what ultimate disposition will be made for French forces in Germany.

The French Government, after saying they were no longer going to support integrated force structure did say they wanted their forces in Germany to stay. The West German Government in turn said that they would welcome the continued presence of those forces, but that their continued presence would have to be consistent with the presence in Germany of other NATO forces.

We are now in a process of negotiating through SACEUR, the Supreme Allied Command Europe, and the French military authorities the actual basis of the continued presence in Germany of French forces, and also the relationship which those forces will have to NATO.

France has said that it continues to be obligated to Article 5 of the treaty. Article 5 provides for automatic commitment to common defence. The exact contribution that France will be prepared to make in time of war as opposed to emergency is a matter that is now the subject of very considerable negotiations between the fourteen and France. These are underway at the moment, and we are making some progress but we are not yet at the stage where I would be at liberty to give the full details.

Senator BROOKS: What about the reference to nuclear power?

Hon. Mr. MARTIN: All countries do not share in the nuclear capacity of NATO. There are three nuclear powers in the organization, Britain, France and the United States. There are some countries like Canada that have a dual role where independent international control continues to reside with the main nuclear power, the United States. But the nuclear deterrent does continue to be a very important governing factor in NATO strength, particularly when you take

into account, as you yourself have implied, the numerical superiority of the forces of the other side.

Senator BROOKS: Would it be considered the main one?

Hon. Mr. MARTIN: I am not a military man, but I would be inclined to think that in terms of modern warfare it could not be regarded as anything else.

Senator CROLL: Mr. Minister, the most recent announcement that East Germany is to sign a mutual defence pact with Poland and Czechoslovakia is, of course, in my view, directed in one way. I gathered from your earlier statement that you thought there was an easing of pressures and an opportunity to reach some mutual agreement between NATO and the Warsaw Pact countries. Would not this announcement indicate a hardening rather than an easing of the situation, or what is the implication of this agreement?

Hon. Mr. MARTIN: I don't know that I fully understand the question. I don't know, first of all, of a mutual defence pact proposed between West Germany and—

Senator CROLL: Between East Germany, Poland and Czechoslovakia. They announced a few days ago that they had reached agreement on a mutual defence against what I considered could only be West Germany.

Hon. Mr. MARTIN: I am not aware of this although the Warsaw Pact continues to exist. At first I thought you were thinking of the proposal that Poland and Czechoslovakia has made to West Germany with regard to denuclearization and the application of a mutual safeguard system. Perhaps I have not understood your question correctly. First of all, I am not aware of such a pact, but I am aware that the Warsaw Pact continues to exist, that the Soviet Union has called for an abandonment of both organizations, that there has been a lot of discussion from time to time over collective negotiations and confrontation between Warsaw pact countries and NATO countries. I would hope we might strive to work so that both of these organizations will no longer be necessary. In the process of that development I think we must envisage a disengagement in Europe that will be mutual—it cannot be one-sided. I think very considerable progress in this regard is being made. But I must concede that while there has been some considerable improvement in the climate, there has yet been no solution offered to any of the major political problems that divide Europe. There still is a divided Germany and there still is a divided Berlin. I believe, however, that if the nations of the world can conclude, as I think they are likely to conclude in the foreseeable period, an agreement to restrict the number of nuclear nations in the world, through what is called a non-proliferation agreement, this will go a long way towards bringing that accommodation between the Warsaw Pact powers and the NATO powers. It will go a long way towards removing Germany as the centre of the European problem and it will go a long way towards encouraging German re-unification.

The United States and the Soviet Union, I think, are on the verge of an agreement with regard to non-proliferation. We have been party to some of the negotiations on one side. While we are not fully in accord with all aspects of the interim arrangement, we believe that it is vital—more vital than anything else—to conclude such an agreement thereby giving to the Soviet Union and to nations both east and west some assurance about the German position. This in turn will help Germany to re-unification which in turn will help to bring about greater peace and stability in Europe.

Senator BROOKS: In that case would it not depend on the mutual reduction of forces of the two sides?

Hon. Mr. MARTIN: Absolutely. It is all very well for people to say to Canada that we should get out of NATO and pull our forces out. These people forget what the consequences of that would be for other countries like Scandinavia and

the smaller countries in NATO. If we did withdraw our forces where would we be? I am not saying that the Soviet Union is bent on aggressive war. It is not. No country is bent today on deliberate nuclear war. But the fact remains that Soviet military strength is stronger today than it ever has been, and would be foolhardy, it seems to me, and unstabilizing, to put it another way, for us to be unilaterally disengaged.

Senator O'LEARY (*Carleton*): Mr. Minister, I think if I were to ask all the questions I would like to ask arising out of your statement, we would be here until Kingdom Come, and I don't want to hog the time of the committee. Senator Brooks asked in part one of the questions I want to ask. About three weeks ago the British Secretary for Defence, Mr. Healy, stated that in his opinion—which I suspect was the opinion of his military advisers—the thought of a conventional arms war in Europe now was inconceivable—that any war would be a nuclear war. And on that peg he hung the argument that it was time for Britain to withdraw some of her forces from the Rhine, and for the further reason of some financial arrangement with Bonn which Bonn was not carrying out. Furthermore in recent weeks there have been several very powerful voices in the Congress of the United States which have been advocating withdrawal of American forces. What effect has that had on the thinking of the Canadian Government with respect to our forces?

Hon. Mr. MARTIN: It has had a great effect on my thinking. First of all I think the first question you put is essentially a military one, and it would be presumptuous of me to deal with it—that is the relative importance of conventional as opposed to other kinds of forces. I would also point out that Britain has a great balance of payments problem. Her over-all balance of payments problem is a very serious one, although her recent austerity program has improved the situation somewhat.

Britain has threatened to move some of her forces from NATO partly on economic grounds. The Chancellor of the Exchequer, Mr. Callaghan, has embarked on a policy of cutting down Britain's military commitments all over the world—in Aden, Singapore, and so on. It is not for me to say what Britain will do. However, I would regard the withdrawal of British forces, apart from normal reductions that must be the basis of discussion with all of Britain's partners in NATO, as a serious thing. I do not believe they will take place in the substantial numbers envisaged; but if they did, I would regard that as a very serious development. In my judgment, it would be a great effect on NATO.

Likewise, a decision by the United States, for one reason or another, to withdraw substantial numbers of its forces, apart from consultation, would be serious. In fact, a unilateral decision of any country in this area would be very serious and would have great consequences.

However, I would say that as far as I know there is no danger of this happening as far as the United States is concerned. Of course, I am not now speaking for the British Government, but I do not believe that the British interest in NATO is such that it would promote any unilateral action of this kind. This does not mean that I do not appreciate that Britain's balance of payments problem is a very serious one, and I hope—

Senator O'LEARY (*Carleton*): Might I interrupt to say that is not the only reason given by Mr. Healy. He gave as the main reason the contention that any war in Europe now would not be a conventional arms war, but a nuclear one.

Hon. Mr. MARTIN: That may be Mr. Healy's view, but his view, important as it is, must be put within the collective strategic defence arrangements of the organization. No one country makes any decisions with regard to the strategy of NATO; it is a matter of collective decision under SACEUR, and each of us has individual views about which power it should be accorded. This is a decision not made by any one government, but by NATO speaking collectively.

Senator O'LEARY (*Carleton*): Did that apply to France's decision to withdraw from integration?

Hon. Mr. MARTIN: No, and that would not prevent Britain doing so either. We all regretted France's decision to withdraw from the integrated force structure. No one regretted it more than Britain. Britain took the initiative in the declaration we made affirming the conviction of the fourteen to continue to support the integrated force structure. No, Britain could do this. We could withdraw. All I am saying is that we are an organization of independent sovereign governments, and each government can do what it wants, but it does so at great peril to the Alliance and at great peril to itself, in our judgment, at the present time.

Senator O'LEARY (*Carleton*): Could the minister say, or would the minister say, or is it possible for him to say what precisely are our North Atlantic commitments to NATO; and are we in a position at the present time to carry out those commitments at sea?

Hon. Mr. MARTIN: I think we are living up fully to the commitments we have made and that have been asked of us in NATO. We are fulfilling all of our commitments to NATO, both in terms of assigned and earmarked forces.

Senator O'LEARY (*Carleton*): The minister is saying that in the event of war breaking out between NATO and the Warsaw countries at the present time, Canada, under its North Atlantic commitments, would have the ships and men to put to sea at the present time?

Hon. Mr. MARTIN: No. What I said was that we have lived up fully to our assigned and earmarked commitments.

Every year, SACEUR, in co-operation with the fifteen governments—now the fourteen—discusses and determines the military commitment of each partner. Ours has been determined. We have fully complied with that commitment.

Senator O'LEARY (*Carleton*): Could I ask one more question of the minister on Article 2?

The CHAIRMAN: Ask as many as you like, senator.

Senator O'LEARY (*Carleton*): Senator MacKenzie stresses Article 2, and throughout your excellent statement you mentioned again and again the economic co-operation that has gone on among NATO nations. I would like to ask you how you reconcile statements of that kind with the fact that six of the most powerful member nations in NATO, under their own treaty, have banded themselves together in a regional tariff bloc to militate against the goods of other NATO countries.

Hon. Mr. MARTIN: Would you repeat the first part of your question, please, senator?

Senator O'LEARY (*Carleton*): The first part of my question is that you mentioned throughout your statement the economic co-operation that has gone on among NATO countries. This is under Article 2, which I believe was our article, and this was dealt with by Senator MacKenzie.

My question is: How do you reconcile this talk of economic co-operation among NATO countries with the fact that six of those nations, six of the most powerful of them, banded themselves together in a regional tariff bloc to combat or militate against the goods of other NATO countries?

Hon. Mr. MARTIN: I am sorry, senator. If this is your view, then what I said has not been understood. I said we did not realize the advantages anticipated by Article 2. I said that Canada has been among those countries responsible for the inclusion of a provision that in addition to military there should be economic collaboration, and I regretted to say there had not been within NATO this economic collaboration.

You will remember a committee of three wise men was appointed a number of years ago—and included in this group was our present Prime Minister—and one of their purposes was to see whether or not something could be made of Article 2; but the fact is that Article 2 has not really been implemented. That is what I said. I regret this, and the Government regrets it. Whatever economic collaboration has developed has developed outside NATO in the O.E.C.D.

I am not so sure that the formation of a European common market, in any event, should be regarded as something that would be contrary to what was hoped would be the consequences of Article 2. The fact that countries agree to co-operate to the maximum does not preclude their entering into arrangements with specific countries to their mutual advantage. The fact we would insist on the co-operation envisaged by Article 2 would not prevent us from signing, for example, an agreement with the United States to provide for the increased production of Canadian automobiles or to share more widely in the North American market. I do not think these are necessarily inconsistent things.

Could I turn now to one other matter?

Senator O'LEARY (*Carleton*): Yes.

Hon. Mr. MARTIN: I read your speech with considerable interest, and you asked why NATO could not undertake the role that the United Nations force was undertaking in Cyprus. Senator Brooks dealt with this problem, I noticed, when he spoke after you.

I would like to point out that while the situation in Cyprus is a matter of the greatest concern to the eastern flank of NATO, it would not have been possible in any way for NATO to undertake any operation in Cyprus without causing the greatest difficulty between Turkey and Greece, without involving the Soviet Union, without involving the government of Cyprus itself. At one time, you remember when the trouble broke out in Cyprus there was a proposal that a group of NATO countries might assume the responsibility of peace-keeping, and the government of Cyprus, the government of Greece and the government of Turkey made it clear at once, of course, that this would be unacceptable.

We had difficulty even getting concurrence for the participation in the United Nations force of the British forces, so that the jurisdiction between NATO and the United Nations in Cyprus is a clear one. NATO's only interest is that two of its members have an indirect involvement, and I want to make it clear that the Canadian Government, or any NATO government, has no intention of involving NATO directly in this situation.

I am sure that the only way in which it could be done was through the United Nations Force, and I think that that force has contributed very materially to the stabilization of a situation which is often very serious indeed.

Senator O'LEARY (*Carleton*): Are you prepared to tell the committee how much longer you think our forces will remain in Cyprus?

Hon. Mr. MARTIN: No, I wish I were able to do that. We have been there now for almost three years. The total cost of the Canadian operation, apart from our normal expenditure in respect of pay and that sort of thing in the armed forces, is a little under \$11 million to date. We are the only country, apart from Britain, that is essentially paying its own way. The other participants—the Irish, the Danes and the Finns—are contributing forces partly as a result of assistance given to them from a voluntary fund to which some 40 nations subscribe.

The talks between Greece and Turkey have been suspended, but I think that there are indications that after the elections these talks may be resumed. I would hope that as a result of agreement reached by Greece and Turkey, and the acceptance of whatever arrangements are made by the government of Cyprus, which is the final authority on the Island, that we might anticipate that the situation will greatly improve.

But, I cannot give any commitment. The mandate of the United Nations force has been renewed to June. There will likely be a further request for the renewal of that mandate until December. It could be there for a long time.

The United Nations Force in the Gaza Strip has been there for over eleven years. It costs us about \$ $\frac{3}{4}$ million a year to maintain that force. But, I firmly believe that difficult as that burden is for certain countries that are willing—countries like Canada—I would sooner see that kind of expenditure through the United Nations than the kind of expenditure that would be occasioned if instead of a controlled peace we had war with all of its consequences.

Senator O'LEARY (*Carleton*): You are telling us, as I understand it, that the largest part of this United Nations force in Cyprus—that is, the Canadian force—is paid for entirely by Canada?

Hon. Mr. MARTIN: Except for Britain that is substantially right.

Senator O'LEARY (*Carleton*): And that in respect of the Irish contribution, or the Scandinavian contribution, only 40 nations out of more than 100 in the United Nations pay a share?

Hon. Mr. MARTIN: That is right, I regret to say.

Senator O'LEARY (*Carleton*): Well, it is called a United Nations force, and apparently the request for the continuation of Canadian forces on that island will come from the United Nations which is paying nothing at all towards it?

Hon. Mr. MARTIN: That is the regrettable situation. We have now before the United Nations a resolution that calls for a rectification of that problem. But, I regret to say that at this stage of international development not enough nations in the United Nations have taken the view of collective responsibility as has Canada, as has Britain, and as have all the Scandinavian countries, or most of the smaller countries. That is the situation.

We have the alternative of saying: "Well, if you will not play ball, we are not going to play ball." I do not believe that is the way to build up an international organization. I do not believe that is the way to make a contribution. We firmly believe in the peace-keeping concept. We have participated in every peace-keeping project of the United Nations. I think that our contribution has been a notable one, and one of which we should be proud. I regret, however, that the process of internationalization has not reached our judgment of what the situation should be, but I have no doubt that it will.

Senator O'LEARY (*Carleton*): Well, sir, do we try to impress on U Thant for example, and on the United Nations that this situation is almost intolerable?

Hon. Mr. MARTIN: We certainly do. Everything I have already said—

Senator O'LEARY (*Carleton*): What is his response in a case like that?

Hon. Mr. MARTIN: We have a resolution now before the United Nations calling for a program of collective financial responsibility. There is a dispute between two of the great powers and the smaller powers—the General Assembly—the Soviet Union and France take the position that only the Security Council can establish a peace force; only the Security Council can establish the financial arrangements to be borne by the members of the United Nations. This is part of the stumbling block. Canada, the United States, Britain, Ireland, and a number of other countries, take the view that while under the charter of the United Nations the primary responsibility for establishing a peace force rests with the Security Council this does not mean that in situations where the Security Council will not act that the General Assembly should not have the right to initiate a peace-keeping project.

It is this difference between these two powers and ourselves and other countries that is part of the problem. It is not the whole problem. Last year a committee of 33 nations was set up. They are now trying to reconcile these

various views. While we will continue to put forward our resolution in the form in which it now is—or, perhaps with some amendments—I would not be surprised if the British, the Canadian, the Irish or the Scandinavian point of view succeeded, but we must keep on at this until it does.

I hope that we are able to do this, and that we will be able to establish a permanent United Nations peace force such as that contemplated by President Eisenhower and outlined by him in 1958.

The CHAIRMAN: Honourable senators, we have come to the end of our time. On behalf of us all I express our very deep appreciation to the Minister for his being with us today.

Hon. Mr. MARTIN: I should like to make it clear that I am at your disposal.

The CHAIRMAN: Thank you.

The committee adjourned.

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The Chairman: Honorable members, we have ... to the end of our time ...

... I should like to make it ... at your disposal ...

SENATE OF CANADA

Standing Senate Committee on External Relations
1st Session, 27th Parliament, 1966-1967

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