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INDEX TO INSIDE PAGES

Menace Of The Atom Bomb.....	2-6	Savings Bond Sales.....	8
Washington Air Attache.....	6	Nine Months Foreign Trade.....	9
New Tasks For Exporters.....	6-7	Final UNRRA Contracts.....	9-10
Sugar Rationing Ends.....	7	Canada At The United Nations.....	10-13
Heads Army Medical Services.....	7	Proposed Arrangements With Newfoundland.....	13-14
Disposal of Italian Colonies.....	7-8	Memo To Soviet Embassy.....	14-15

WEEK'S EVENTS IN REVIEW

NEWFOUNDLAND TERMS: Text of proposed arrangements for the entry of Newfoundland into the Canadian Confederation were issued yesterday. Under the arrangements, Newfoundland will receive, in addition to the normal provincial subsidies, provided under the B.N.A. Act of 1907, a special statutory subsidy. (P. 13-14)

UNITED NATIONS: Canada sought during the week to bridge the gap between United States and U.S.S.R. proposals for the partition of Palestine. (P. 10-13)

The Political and Security Committee of the Assembly, yesterday approved, on a vote of 43 to 6, with 6 abstentions, the United States proposal, in modified form, for creation of a "little Assembly". The negative votes were cast by U.S.S.R., Poland, Czechoslovakia, Yugoslavia, the Ukraine and White Russia. Spokesmen for these countries also announced that they would boycott the "little Assembly".

The plan accepted by the committee was drafted in a sub-committee under the chairmanship of L.B. Pearson, Under Secretary of State for External Affairs. It provides for the creation of an interim committee made up of one representative from each member nation, which would have the power to consider and report to the General Assembly on any dispute or situation not on the agenda of the Security Council, if the matter were deemed important and requiring preliminary study by two-thirds of the members.

The interim committee also would have the power to appoint commissions of inquiry by a two-thirds vote; to advise the secretary-general if it deemed that a special session of the General Assembly was required; and would be charged with reporting to the next General Assembly on the advisability of establishing a permanent committee to perform the duties experimentally given to it.

FOREIGN TRADE RECORD: Foreign trade of Canada reached record proportions during the first nine months of this year being valued at \$3,927,500,000 an increase of 29 per cent over the corresponding period of 1946. (P. 9)

MEMO TO SOVIET EMBASSY: A memorandum has been presented to the Charge d'Affaires of the Soviet Embassy objecting to a speech reported to have been made by Mr. Scherbatiuk, an employee of the Embassy at St. Vital, Man., August 6, 1947. The memo states should Mr. Scherbatiuk or any other member of employee of any diplomatic or consular mission in Canada use language in Canada similar in effect to that attributed to Mr. Scherbatiuk, the Canadian Government will have no alternative but to request his immediate recall. (P. 14-15)

DISPLACED PERSONS: Approval has been given for the admission to Canada of 15,021 displaced persons in group movements. So far, 3533 have come to Canada from European refugee camps under this group plan.

MENACE OF THE ATOM BOMB

NO ROOM FOR HYSTERIA: Gen. A.G.L. McNaughton, Canadian representative on the U.N. Atomic Energy Commission, addressing the University of Toronto Engineering Society, Oct. 30, said there was no way, and no likelihood of one being found, by which an atomic bomb could be neutralized. It was not against the bomb, therefore, but against its carrier that we must look for forms of defence that might prove effective.

We were, however, a long way from the push-button type of warfare described in the sensational magazine. There was no occasion for hysteria but, on the other hand, it would be folly to waste time remaining to us through failure to give proper consideration to defensive measures and, in particular, to advance by every means within our power the setting up of an international agreement which would effectively protect the peoples of the world.

The carriers, Gen. McNaughton continued, which might be used for atomic bombs are:

- (a) the long range guided missile whether it be rocket or crewless aircraft;
- (b) manned aircraft of the large bomber class;
- (c) submarines and other carriers or saboteurs who would place the bombs with delay fuses in position by stealth.

Of these, guided missiles have today a reliable range of perhaps two or three hundred miles. Unmanned aircraft will travel well above supersonic speed and rockets may have velocities of 5000 or 6000 feet per second which is more than four times that of sound at sea level.

It is likely therefore that these missiles, because of their great speed, will be almost immune to enemy interference. Their accuracy is of the order of a couple of per cent of range -- that is, even now they can be placed with certainty within the limits of a large target such as a city which is the only kind of target they would be used against in any event. Nothing less than a few million people and their goods and chattels would be counted as a worth while target until all such remunerative objectives had ceased to exist.

There is thus very little hope of effective defence against the guided missile once it has been launched. The only prospect is to deal with the ship or other platform from which it is to be launched to hold it out of range or at least to prevent it from launching its missile at short range where the accuracy would be higher. Thus, as matters stand at the moment, there is a sort of defence to be found in distance but this is not very comforting as ranges for guided missiles certainly show every indication of great increase, perhaps even to the extent of substituting thousands of miles of range for the present hundreds with a few decades. However these futuristic conditions are not here yet and most fortunately we are a long way from the push button type

of warfare described in the sensational magazines.

RANGE OF MANNED AIRCRAFT

Manned aircraft in the large bomber class which have been specially designed have today a radius of action of about 5000 miles out and the same distance back after due allowance has been made for the weight of an atomic bomb payload. These machines will fly in the stratosphere at 30 or 40,000 feet with speeds of 500 m.p.h. or better.

Thus the means of intercontinental attack even today are well within the limits of established practice. The over-all cost, including casualties of operating bombers these great distances with a payload of ordinary h.e. would certainly not be worth while but with atomic bombs, each of which is at least several thousand times more powerful weight for weight, this limitation would not exist.

An aircraft flying in on a target at stratosphere heights at 500 m.p.h. or more poses an exceedingly difficult problem for the defence. It takes a long time for a defence rocket to rise to 40,000 feet or so and jet propelled fighters have as yet a very limited endurance. As a result it seems possible that at least a proportion of the attackers will get through. Applied to the small numbers of atomic bomb carriers required a high casualty rate does not represent the prohibitive scale of loss which it would be if the same or even a fraction of the same percentage of loss were applied to the vastly larger numbers of aircraft required with ordinary h.e. bombs to give a comparable result.

Thus it does not seem that the expectation of casualties can be counted on as a deterrent to intercontinental attack with atomic bombs borne in manned aircraft. In this connection I would observe that modern methods of radio navigation permit these aircraft to know their position at all times with the precision required for bombing a city.

PLACEMENT BY SUBMARINE

The third method of using atomic bombs to which I have referred was their placement by submarines or saboteurs who would set the delay to give plenty of time for escape. I do not think it necessary to enlarge on these methods except to say that against skilled operators I can foresee great difficulties in establishing any really effective defence against atomic bombs because their secret placement is so much less difficult than ordinary h.e. where the volume and weight of the explosive required to secure a worth while result is so vast that the chances are it could not be placed in position secretly let alone kept hidden if it were.

Thus whether by guided missiles, by manned aircraft, by submarine or by saboteur it seems that it will not be possible by any conceivable

physical means to prevent an attack with atomic bombs which might conceivably result in a crippling blow through the destruction of centres of population and industry which, as I have said, are the kinds of target against which the atomic bomb will be used.

However, with the prospect of atomic war no nation will leave all its defence resources in these vulnerable locations and it is not probable therefore that an atomic attack would determine the outcome. In consequence in the military establishments the atomic bomb does not replace the army, navy or air force -- it is a weapon of special application which is added to all other weapons.

If we accept, as I think we must on the evidence available, the thesis that there is no physical defence against atomic war, then what avenues of hope remain to us for the preservation of the world?

There are indeed two possibilities which merit consideration. The first and most attractive is to develop an international agreement under which we may hope that all nations may come to have confidence that atomic energy will be used for peaceful purposes only. As part of this agreement it is proposed to set up a system of safeguards and controls which will in fact ensure that atomic war cannot be prepared or at the least that if any nation should attempt to do so then the situation will be promptly known and reported to all other nations so that they may take whatever action is appropriate.

It has been thought by those who have studied all aspects of this problem that without undue restriction on the peaceful uses of atomic energy and without the setting up of an unduly cumbersome organization, it would be possible to provide at the least several months' warning before atomic war could be launched by any nation on any significant scale. It is thought that the certainty of having such a period of warning during which appropriate counter measures could be taken should give the nations confidence to undertake the establishment of such a system which, once established, could be expected to develop in reliability.

This is what the United Nations Atomic Energy Commission has been set up to study and later I will have more to say about the progress of this work.

The second possibility of preserving peace, which is, I think, fully justified in the short term view by considerations of expediency and practicability, is that the United States, which is the only nation which at the moment possesses the atomic bomb in quantity, should be encouraged to continue to retain for as long as may be possible its paramount ascendancy in this field.

NO CONTINUING MONOPOLY

There can, of course, be no continuing monopoly in the facts of science; what one nation has found out, others can learn also by the application of appropriate efforts and

granted sufficient time. In truth there never have been any really scientific secrets about the atomic bomb. The whole epic history of nuclear physics has been international in character from the first detection in France of the peculiar rays given off by uranium minerals, to the first recognition of atomic fission in Germany with very substantial contributions in between from almost every other country engaged in scientific research.

While I make the point that there are no real scientific secrets yet there are most important technological advantages and engineering know-how which are the exclusive perquisite of those who have laboured and carried the burden of development. I would say that in the atomic energy project, like any other major undertaking, there is a phase where prodigious effort is required for little in the way of return; then there comes a point at which the returns increase very rapidly for a little additional effort and everything goes forward on a rising curve.

The United States is today on this rising curve with atomic energy and if our American colleagues maintain their research and development on the scale authorized by Congress it seems that their ascendancy will remain for a decade at least. Meanwhile no other country on earth has as yet passed out of the difficult first phase to which I have referred.

Quite frankly the only major country or association of countries about which we of the Western world might feel anxiety is the USSR. I pose the question that having regard to the devastation of war, the primary requirements of rehabilitation, the limited resources in materials and industrial equipment and particularly in technological skills, is it likely that the U.S.S.R. would at this time be capable of diverting effort on the scale necessary to make atomic war? The United States capital equipment in atomic plants is estimated to have cost over 2½ billion dollars mostly in payment in one way or another for skills which had to be taken out of the national economy. No other country is as yet endowed with these skills on such a lavish basis nor is it likely that any other country could make this diversion without destroying or at the least seriously crippling their national economy.

In the light of what I have said as to the great magnitude and long continued efforts required for the preparation of atomic war, it seems reasonably probable that we need not fear its outbreak on any significant scale for a while yet. There is thus no occasion for hysteria but on the other hand it would be folly to waste the time which remains to us through a failure to give proper consideration to the defensive measures which are open and in particular to advance by every means within our power the setting up of an international agreement which will effectively protect the peoples of the world.

The first international step towards the creation of such an agreement was made very shortly after the termination of the way by

the United States, Great Britain and Canada, the three countries which were associated in the wartime project. The Washington declaration on atomic energy issued on November 15, 1945, by President Truman, Prime Minister Attlee and Prime Minister King recognized the need for an international agreement and proposed as a matter of great urgency the setting up of a Commission under the United Nations to study the problem and to make recommendations for its control.

These discussions were followed by a meeting of the Foreign Ministers in Moscow in December, 1945, at which the Washington proposals were endorsed. At the meeting of the General Assembly on 24 January, 1946, in London, the United Nations Atomic Energy Commission was established by unanimous resolution.

The Commission, composed of delegates from each country represented on the Security Council, as well as Canada when Canada is not a member of the Council, was charged with making specific proposals:

- (a) For extending between all nations an exchange of basic scientific information on peaceful ends,
- (b) For the control of atomic energy to the extent necessary to ensure its use only for peaceful purposes,
- (c) For the elimination from national armaments of atomic weapons and of all other major weapons adaptable to mass destruction,
- (d) For effective safeguards by way of inspection and other means to protect complying states against the hazards of violations and evasions.

When the Commission first met in New York in June, 1946 it was presented with two different plans for the control of atomic energy, one proposed by the United States and the other by the Soviet Union. The United States proposal generally resembled that outlined in the Lilienthal Report, which had been released in the United States a few months previously. It called for the formation of an International Atomic Development Authority, which would foster beneficial uses of atomic energy and would control atomic activities in all nations either by direct ownership, management or supervision, in the case of activities potentially dangerous to world security, or by a licensing and inspection system in the case of other activities. This system of control would be set up by stages and after it was in operation, the manufacture of atomic bombs would stop. Existing bombs would be disposed of, and the world authority would be given information regarding the production of atomic energy. In addition, the United States proposal emphasized that the veto of the Great Powers in the Security Council should not apply in the event that any nation was charged with having violated the international agreement not to develop or use atomic energy for destructive purposes.

I may say that the proposals made by the United States accord very closely with the

views of the Government of Canada, and of many other nations in the Western World, as to how this problem might be brought under control. On the other hand, the Soviet Government put forward a plan which differed fundamentally. It proposed the immediate outlawing of the atomic bombs and the destruction of all existing stocks of atomic weapons within a three months period. To this end the Soviet delegate tabled a draft convention which, he said, should be negotiated forthwith as the first step towards the establishment of a system of international control. The Soviet delegate was prepared to discuss methods of control and inspection but he maintained that this should not hold up the immediate prohibition of atom bombs.

The idea that the menace to world peace presented by the atomic bomb could be solved merely by the signing of an international agreement to prohibit its use or manufacture seems very unreal. The experiences of the last twenty-five years have shown that international agreements alone are not enough to safeguard the peace. The prohibition of the use and manufacture of the atomic bomb at the present time would merely seriously reduce the military strength of the United States, the only nation now in possession of atomic bombs. It would be an act of unilateral disarmament which would give no assurance that any country engaged in atomic energy activities would not or could not make and use the bomb in the future. Fissionable material, the essential material for such peaceful applications of atomic energy as the development of industrial power, is also the explosive element of the bomb, and in the absence of effective inspection and control could readily be diverted from peaceful to military uses by a nation secretly preparing for atomic war.

For this reason, most members of the Commission were in general agreement with the principles of the American proposals. They considered that the prohibition of the use or manufacture of the atomic bomb should form part of an over-all control plan, so that when such prohibitions were put into effect they would be accompanied by the applications of safeguards such as international inspection of all countries to ensure that no secret activities in atomic energy were in progress.

NEW APPROACH SOUGHT

After weeks of discussion along these lines, the Commission decided to seek a new approach to the problem by a study, in committee, of the available scientific information, to determine whether an effective control of atomic energy was feasible. This study resulted in a unanimous report by the scientists of all nations represented on the Commission that "they did not find any basis in the available scientific facts for supposing that effective control is not technologically feasible." With this conclusion before it, the Commission then proceeded to discuss the safeguards that would be required at each stage in the production

and application of atomic energy to ensure its use only for peaceful purposes.

The Commission's findings were set out in detail in its First Report which was approved on December 31, 1946, by a vote of 10 to 0, with the Soviet and Polish Delegations abstaining. In this Report, the Commission pointed out that as all applications of atomic energy depended on uranium and thorium, control of these materials was an essential safeguard. The Commission, therefore, recommended international inspection of all mines, mills and refineries to prevent possible diversion of materials to the making of atomic bombs. As the materials assumed a more concentrated form and were therefore more directly applicable to bomb making, the Commission believed that the controls would have to be even stricter. They considered that at least certain plants producing substantial quantities of fissionable material should be placed under the exclusive operation and management of the international authority.

Concurrently with the discussions in the United Nations, the question of the control of atomic energy in Canada came before Parliament and as a result an Act was passed which established the Atomic Energy Control Board with the duty of controlling and supervising the development and application of atomic energy in the interest of the people of Canada and generally to prepare to carry out the obligations which it would be necessary to assume under an international agreement of the character and scope which had been indicated in the discussions taking place in the United Nations.

RESEARCH IN CANADA

You are, of course, familiar with the significant contributions made in Canada during World War II and before to the development of knowledge of nuclear physics and in consequence I shall not attempt tonight to describe the work which has been done or that which is in progress in the Universities, in the National Research Council or at the pilot plant at Chalk River which is operated by the National Research Council for the Board.

I would like, however, to say that research in Canada is being directed to the acquisition of fundamental knowledge in nuclear physics and towards the peaceful applications of atomic energy but in view of the dangerous possibilities of fissionable materials the Board has issued regulations controlling dealings in these substances to ensure that they do not fall into improper hands; similarly some of the information obtained in research has a bearing on national security and naturally the Board is concerned that these matters should be properly safeguarded.

To return to the discussions of atomic energy in the United Nations, the Second Report of the Atomic Energy Commission was approved by the Commission on 11 September last and sent forward to the Security Council. Ten

nations voted in favour, the U.S.S.R. voted against and Poland abstained.

The Report contains specific proposals as to the powers and functions which an international agency would need to have. Particular consideration has been given to a system of checks and balances to be applied to the operations of the proposed Agency through the Security Council, the General Assembly or the International Court of Justice as appropriate. These limitations have been worked out so as not to impede prompt action by the Agency wherever this may be required but at the same time to make the Agency "responsible" in the sense that we use this term in reference to our Cabinet system of Government in Canada, that is to check any arbitrary and unnecessary use of authority and to provide for methods whereby any complaints against the Agency or its staff could be fully investigated and corrected. I think I can claim that the proposals in the present Report are fully in accord with this democratic conception and yet that they do not compromise the powers needed to be exercised by the Agency in any way.

On behalf of Canada I had the authority to state that in our view these proposals together with the General Findings and Recommendations of the First Report provide the essential basis for the establishment of an effective system of control to ensure the use of atomic energy for peaceful purposes only and to protect complying states against the hazards of violations and evasions.

OPPOSITION BY USSR

As I have said this view is shared by ten out of the twelve nation members of the Commission. On the other hand, Mr. Gromyko, speaking for the U.S.S.R., expressed his continued opposition. He reiterated his view that no progress had been made because the report did not provide a solution for what he described as the urgent problem of prohibiting atomic weapons and particularly for the early destruction of the U.S. stocks of atomic bombs. He objected also to the ownership of fissionable material, and of plants for its processing and use, being vested in an international authority which he held to be both unnecessary and contrary to the principles of national sovereignty. He took similar objection to the proposals for the licensing of non-dangerous atomic energy activities which the majority of the Commission felt should be supervised by the Agency although their operation had been entrusted to a national authority.

Mr. Gromyko thought that some system of "quotas" would suffice and he said that this proposal had not been sufficiently explored. The only point on which he seemed to have moved forward from the position which he took at the time of the First Report was in relation to inspection and control which he now conceded must be international in scope and organization with personnel who are international. However it is thought that by international

control and inspection the U.S.S.R. merely contemplates occasional or periodic inspection rather than the meticulous continuous process which the other members believe to be essential for security.

There thus remains a very wide gap between the views of the U.S.S.R. supported by Poland and those of the rest of the Commission but I do not think that we should be unduly cast down on that account, and we should certainly not underestimate the value and the significance of the progress which has been made.

When the Commission began its sessions in June of 1946, now some eighteen months ago there was little to go on beyond a conviction that the dread potentialities of atomic war needed to be brought under effective international control. Since then the problem has been examined in its many intricacies and multitude of aspects. Gradually a consensus of opinion has formed and found expression until today ten nations out of twelve believe that they have found the right path forward. The circumstance that the other two nations on the Commission do not yet agree should not be regarded too seriously at this stage. As a matter of fact both these nations have made substantial contributions to the discussion. Certainly the representative of Poland has done so in a positive sense and at the least the U.S.S.R. has formed an anvil on which the rest of us have had an opportunity to forge and hammer out the conclusions we have now reached.

Up to date we have been more anxious that the U.S.S.R. should continue to be represented in the discussions and less concerned that they would at once agree to the majority proposals. I think I can claim that we have felt so convinced of the necessity for proper control and we are now so genuine in our belief as to how it must be brought about that we feel that something of this sincerity must find its way through to the people of Russia. It is a fact that no people would benefit more than they would from what we have proposed and so both on the grounds of benefit from the peaceful application as well as of security it is not too much to hope that eventually a way will be found to traverse the opposition of those who presently control the policy of the Soviet.

Meanwhile as I see the matter we and the whole world have everything to gain and nothing to lose by steadfastly pursuing the course which the Commission has mapped out for itself.

WASHINGTON AIR ATTACHE: Group Captain P.G. Baskerville, Ottawa has been appointed Air Attache to the Canadian Embassy in Washington, D.C. He replaces Group Captain H.M. Carscallen, DFC, of Ottawa and Hamilton, who has taken over as Director of Personnel Administration at Air Force Headquarters, Ottawa, after serving as Air Attache in Washington since last July.

NEW TASKS FOR EXPORTERS

OUR FOREIGN ECONOMIC POLICY: The Minister of Finance, Mr. Douglas Abbott, addressing the Canadian Exporters Association, Montreal, Oct. 30, said that since the latter war years, Canada's foreign economic policy had been based on two fundamental propositions:

- (1) the restoration of a multilateral trading world on a sound and lasting basis.
- (2) an effective contribution to recovery and rehabilitation of the United Kingdom and Europe, without which multilateral trade could not possibly be restored.

The present dollar problem, Mr. Abbott went on later, is not a new problem for Canada. The gap between dollar exports and dollar imports has always been large but never so large as it is today. Experience has shown us that this feature in our economy makes us extremely vulnerable to international economic and political disturbances, particularly those which upset the mechanism of international payments. Moreover, the degree of vulnerability is directly related to the size of the gap that develops in our trade with individual countries.

The second factor which makes us extremely vulnerable to outside influences is our traditional dependence on exports of raw materials and foodstuffs. We all know that the demand for primary commodities as well as their prices are subject to wide fluctuations in the course of the business cycle. In spite of the rapid strides in industrialization during the past decades and particularly during the war, Canadian exports are today heavily in the vulnerable class. We must, I suggest, give more attention to the processing and fabrication in Canada of our natural products for exports. This is an essential feature of economic growth and progress towards maturity.

IMMEDIATE OBJECTIVES

Our immediate objectives as exporters can, I think, be clearly and simply stated.

1. We must seek to narrow the gap in our trading accounts with dollar countries by exporting more goods to those countries.
2. We must seek to diversify our exports to the dollar countries by combining a greater proportion of processed and manufactured goods. In more concrete terms, because the United States has been and will remain a market for our goods which exceeds all others, these objectives can be restated more positively; "sell more goods, including processed and manufactured goods, in the U.S.A. markets".

I have indicated the broad objectives in skeleton form. You must add the details, the flesh, muscle and spirit to convert these objectives into reality. The tasks are not easy; there are many very real obstacles in the

way, some of which are almost entirely outside our control. But no one expects that a task of this kind would be simple. Of course there are difficulties, mainly in terms of the tariff structures of the countries to whom we must export. Ways and means must be found to overcome these difficulties. The present Canadian dollar problem is as much a danger to the stability of the U.S.A. economy as it is to ours. It is in the interest of both countries that measures to facilitate the further development of exports including manufactured goods be adopted, particularly where the raw material essential for such production is indigenous to our country and can be processed here to the mutual advantage of all concerned. I assure you no effort will be spared on the part of the government to work out mutually advantageous accords to encourage and facilitate this type of development which must and will come.

EFFECT OF U.S. BRANCH PLANTS

A salient feature of the present-day manufacturing industry in Canada is the existence of several thousand branch plants and subsidiaries directly related to large parent firms in the United States. This development occurred mainly in those industries associated with the spectacular growth of modern mass production methods, concentrated in the last two or three decades. Their development occurred largely to take advantage of markets protected by substantial tariffs and perhaps even more so to penetrate the commonwealth markets made available by the system of Imperial Preferences. We are all familiar with the great benefits reaped by our country in terms of employment, income and living standards which accompanied this tremendous inflow of capital. What is not so well known, however, is that the branch plant system and the resultant heavy demand for imports from the United States, is intimately connected with the wide gap in our trade with that country. What I mean is this, there is a continual, heavy, one-way flow of parts, materials, machine tools, etc., to feed and service these branch plants, the products of which form a significant part of our exports not to the United States but to non-dollar countries. This uniformly one-way flow of trade was understandable and unavoidable in the early stages of development. These plants today however are lusty, strong and modern giants capable of competing anywhere in the world. By a process of specialization and by the application of right kind of initiative and salesmanship, these goods can be made to flow and must be made to flow both ways. This can be an important new source of exchange which will permit us to continue to buy the supplies we must have from the United States. In addition to providing dollars there are tremendous economies to be reaped from an extension of integration, and specialization which this process entails. To a large extent these arrangements will have to be worked out by individual firms within the framework of their special

circumstances and requirements. Too often when the question of exporting manufactured goods to the U.S.A. and other hard currency markets is put forward, the familiar objections and difficulties are raised. Large domestic markets, mass production techniques, U.S. customs procedure, the tariff structure of our own dollar countries are pointed to as insurmountable obstacles. I maintain that the basic competitive position of Canadian plants is sound. Our techniques of production, managerial skill, and skilled labour force compare favourably with the finest anywhere in the world. In isolated cases where this is not true, they must be made competitive. Where the obstacles consist of artificial barriers, such as tariffs, and customs practices, they must be modified. Where the obstacles are created by marketing practices and conventions within particular industries, they must be adapted to our present needs.

CANADA'S DYNAMIC ECONOMY

Every Canadian is proud of the rapid growth and dynamic expansion which occurred in our country in the last several decades. But no Canadian would ever admit that we have shot our economic bolt; that we are now fully mature and developed. Canada's development is still in its early stages. We have grown some inches in height -- but there is substantial growing still to be done. Sir Wilfred Laurier once said that if the 19th century belonged to the U.S.A., the 20th century belonged to Canada. These are difficult times and no one can predict the future. But one thing is certain; Canada's economic strength will continue to grow. Nor is Canada alone in this field. There are vast areas of the world, in South America, in the Far East where the process of industrialization is only now commencing. Canada can participate in that growth. We have been spared the devastation of war and are richly endowed with resources. The world is looking to Canada to help in that growth.

SUGAR RATIONING ENDS: All rationing of sugar and edible molasses, in effect in Canada since July 1942, ended Nov. 3.

Price ceilings, states the Minister of Finance, Mr. Douglas Abbott, will be retained on both items but at the same time an increase of one cent per pound in the lawful maximum price of sugar has been authorized.

HEADS ARMY MEDICAL SERVICES: Col. W.L. Coke, Royal Canadian Army Medical Corps, has been appointed Director-General of Medical Services, Canadian Army, and promoted to the rank of brigadier.

DISPOSAL OF ITALIAN COLONIES: The Secretary of State for External Affairs announced Nov. 1 that in a letter dated October 20, 1947, the Canadian Government had been invited to express

its views regarding the disposal of the former Italian Colonies to the Conference of Deputies of the Council of Foreign Ministers of the U.S.S.R., the United Kingdom, the United States of America and France, which is in session at Lancaster House, London.

The Government of Canada has replied that at this initial stage it does not wish to take advantage of the opportunity to present the Canadian viewpoint on this question. The Canadian Government may, however, wish to make known its views on the disposal of Italy's former African possessions at a later date when the reports are available of the Commission of Investigation which it is anticipated will be sent out to the former Italian Colonies in accordance with the terms of the joint resolution of the Governments of the Soviet Union, the United Kingdom, the United States of America and France, contained in Annex XI of the Peace Treaty with Italy.

The Government of Canada expressed a further wish to be kept informed to the fullest extent practicable of all important developments in the consideration of this question by the Conference of Deputies, including the substance of any opinions on the final disposal of the colonies which may be presented by other interested Governments.

AIR SERVICE COMPANY

JOINT SCHOOL TRAINING: A Special Air Service Company now being formed of volunteers from the three infantry battalions of the Active Force Brigade Group is scheduled to commence training in mid-November at the Joint Air School, Rivers, Manitoba, the Department of National Defence announces.

Some officers and NCOs have already been trained for the Company and have participated in a number of rescues in remote parts of the country. The most spectacular of these is the current "Exercise Canon" where four SAS Company men including a medical officer were parachuted with medical supplies to the aid of Canon John H. Turner, an Anglican missionary, seriously injured at Moffet Inlet, on Baffin Island in the Canadian Arctic.

On another occasion, two SAS officers parachuted to the rescue of an American sergeant and his wife whose plane was forced down near Waterhen Lake in Manitoba, 170 miles north of the Joint Air School. Later, a Norseman plane landed to pick up the sergeant and his wife, who were uninjured.

The Special Air Service Company, when it is recruited up to strength, will consist of five officers and 114 other ranks and will be organized into headquarters and three platoons. It is to be permanently stationed at the Joint Air School where it will have all the facilities of the school at its disposal, and from where any point in Canada can be reached within a matter of hours.

In addition to its air search and rescue duties, the SAS Company will be capable of

flying to any point in the Dominion to give public service in cases of national catastrophe. They will also provide troops to aid tactical research and development in airborne work and stage land-air warfare demonstrations for the benefit of military personnel or for the public.

Troops for the SAS Company will be drawn from the Royal Canadian Infantry Corps and must have completed their general military training before selection. They must be 30 years of age or less, in first class physical condition, have an "M" test score of 140 or over and be recommended as above average in intelligence and physical ability. Candidates must also be single and willing to volunteer for parachute training.

Postings to the SAS Company will be from two to three years duration and it will take at least a year for a man to become fully trained.

Training with the company includes instruction in parachuting and glider work; map reading and use of a compass; demolitions; first aid and medical care; mechanical transport and small boat handling; rescue work and the evacuation of casualties; and the operation of electric, diesel and gasoline engines. This training is in addition to their normal work as infantrymen which will be kept up to scratch during their attachment to the Joint Air School.

SAVINGS BOND SALES: Purchases of Canada Savings Bonds under the Payroll Savings Plan continue to be the feature of sales reports. Up to the end of October 31st, 381,320 applications had been recorded under the plan for purchases of \$77,099,600. This compares with 426,917 applications for \$75,341,850 for the same period last year. The average purchase under the Payroll Savings Plan to date stands at \$202.19. These results confirm early estimates of widespread demand for convenient facilities for saving out of income.

Purchases by the general public are running dollar-for-dollar with Payroll purchases. Combined figures show total applications of 524,898 for sales amounting to \$153,515,050.

With the Payroll Savings Organization well in step with its time schedule, arrangements are now being made for a quick clean-up of incomplete canvassing.

Among the special groups offering the Payroll Savings Plan, the Civil Service reports purchases of \$3,924,650, Armed Forces \$825,700, and Railways \$7,288,250.

The new Bonds which have been obtainable since October 14th from investment dealers, banks and other savings institutions are now subject to withdrawal by the Minister of Finance. Should they continue to be obtainable after November 15, accrued interest will be added to the purchase price at that time.

Value of pelts from wild life and fur farms reached a new high of \$43,870,541 in 1945-1946.

NINE MONTHS FOREIGN TRADE

Foreign trade of Canada reached record proportions during the first nine months of this year, being valued at \$3,927,500,000 compared with \$3,043,900,000 in the same period of 1946, an increase of 29 per cent. The previous high for the nine-month period was registered in 1944 at \$3,907,000,000. In September the trade was valued at \$429,700,000 practically the same as in August, but 31 per cent higher than in September last year when the total was \$328,000,000.

Domestic exports in the first nine months were valued at \$2,004,900,000 compared with \$1,663,900,000 in the similar period of 1946, an increase of 20.5 per cent. In September, there was a further slight recession from the record levels of May and June, but the month's total was substantially higher than in Sept. last year. Exports in the month were valued at \$218,600,000 compared with \$221,300,000 in August and \$169,800,000 in September last year.

Commodities were imported to the value of \$1,892,600,000 during the first nine months of this year compared with \$1,360,800,000 in the

period of 1946, a gain of 39 per cent. In September, the value was \$208,100,000, slightly higher than in August when the total was \$204,600,000, but one-third higher than last year's September figure of \$156,100,000.

Foreign commodities were re-exported to the value of \$26,400,000 in the nine months of this year, compared with \$19,200,000 in the like period of 1946. In September, the value was \$3,000,000 compared with \$3,500,000 in August and \$2,100,000 a year ago.

In the nine months, the balance of merchandise trade with all countries was favourable to Canada to the extent of \$135,000,000 compared with \$322,300,000 in the same period of 1946, and the pre-war five-year average of \$132,200,000. Net exports of non-monetary gold -- additional to the balance of trade -- amounted in the nine months to \$71,900,000 compared with \$74,600,000 in 1946, and the pre-war five-year average of \$89,700,000.

The following table, compiled by the Dominion Bureau of Statistics, gives the figures in summarized form:

	AVERAGE 1935-39	1938	1942	1943	1944	1945	1946	1947
(Millions of Dollars)								
TRADE OF CANADA: NINE MONTHS ENDED SEPTEMBER								
IMPORTS	493.6	505.9	1,240.2	1,277.0	1,330.0	1,187.8	1,360.8	1,892.6
DOMESTIC EXPORTS	617.0	594.6	1,677.9	2,119.2	2,546.6	2,517.0	1,663.9	2,004.9
FOREIGN EXPORTS	8.8	8.2	14.4	17.9	30.4	39.9	19.2	26.4
TOTAL TRADE	1,119.4	1,108.7	2,932.5	3,414.1	3,907.0	3,744.6	3,043.9	3,927.5
BALANCE OF TRADE	+ 132.2	+ 96.8	+ 452.1	+ 860.1	+ 1,247.0	+ 1,369.1	+ 322.3	+ 135.0
BALANCE OF TRADE UNITED KINGDOM	+ 152.7	+ 154.1	+ 441.5	+ 667.2	+ 872.6	+ 696.9	+ 274.2	+ 411.5
BALANCE OF TRADE UNITED STATES	- 70.6	- 124.1	- 386.0	- 237.4	- 150.2	+ 34.9	- 339.1	- 718.3
NET EXPORTS GOLD	89.7	118.1	138.6	109.7	85.3	72.3	74.6	71.9
DUTY COLLECTED	67.8	68.7	117.7	124.6	135.3	124.2	156.6	239.6

FINAL UNRRA CONTRACTS

AGGREGATE OF \$254 MILLION: Completing UNRRA procurement in Canada, final contracts have recently been placed on behalf of that administration for goods worth approximately \$2,319,000.

W.D. Low, Managing Director of the Canadian Commercial Corporation, one of the functions of which has been that of purchasing agent for UNRRA in Canada, announced Nov. 4 that negotiations had been concluded within recent weeks for the purchase of 4,000,000 pounds of canned horse meat for shipment from Swift Current, Saskatchewan to Poland. Some 1,250,000

pounds of this quantity is already in transit to destination, and the remainder is awaiting ocean shipping space. 29,402 cases (723,256 pounds) of macaroni are destined for Austria.

Drugs, medical supplies and hospital equipment valued at \$970,000 have been purchased by the Corporation, principally for China and Poland, but a small quantity will go to Italy, Austria and Yugoslavia.

Fertilizer producing equipment valued at \$402,000 has been procured on behalf of Formosa, and will be available for delivery by the end of the year. Among the many items included under this heading are a coal-washing plant, pulverizing machinery, cyanamide ovens, and

liquid air machines.

A shipment of wheat flour valued at \$66,600 has already left this country for displaced persons in China. Fruit juices, canned fruits and vegetables, dehydrated soups and peanut butter, totalling \$117,080 are awaiting shipment to the same destination.

A \$74,728 contract has been placed for pearl barley, canned fruits, juices and vegetables, spices, salt, flavouring, garlic salt, canned meat and meat paste, biscuits and jam, which will be sent to displaced persons in Italy.

With these purchases, which are to be de-

livered by November 30th and ocean shipped not later than December 31st, of this year, the Canadian Commercial Corporation will have concluded a three year procurement programme in Canada on behalf of UNRRA, in the course of which Canadian commodities to a total value of approximately \$254,000,000 will have been supplied to needy areas, under UNRRA administration. Of this sum, \$154,000,000 was contributed by Canada; and the remaining \$100,000,000 obtained from the Free Funds placed by the contributing nations at the disposal of the parent organization.

CANADA AT THE UNITED NATIONS

PALESTINE PARTITION: Canada, during the week, sought to bridge the gap between United States and U.S.S.R. proposals on measures to partition Palestine. The United States proposed that partition of Palestine become effective July 1 next with Great Britain remaining as mandatory in the meantime. The Russians proposed that the British mandate in Palestine end Jan. 1 next; that administration of Palestine be handed over to the U.N. Security Council pending creation of independent Arab and Jewish states; that British troops be withdrawn from Palestine not later than May 1 next.

In committee One of the U.N. ad hoc committee on Palestine, Nov. 5, L.B. Pearson, Under-Secretary of State for External Affairs, stated the Canadian position. Subsequent to his statement, the committee adjourned to permit an informal working group (Canada, Guatemala, the U.S. and U.S.S.R.) to start work immediately on coordination of proposals.

Mr. Pearson's statement follows:

The Canadian delegation understands the position to be as follows. The sub-committee has been asked to consider what adjustments in the plan for a settlement in Palestine outlined in the majority report are necessary to make it workable. The sub-committee has also been asked to determine the means whereby this plan can be brought into effect and the steps necessary to administer Palestine during the transitional period.

The urgency of determining the methods of implementation is magnified by the declared intention of the mandatory power to withdraw from Palestine in the near future. Whatever plan is adopted for the settlement of the Palestinian question, there is danger that events will over-reach us, that we will be unable to take effective action in time, and that confusion and disorder will follow upon the withdrawal of the mandatory power. It is with these possibilities in mind that the sub-committee must consider how best the majority report could be put into effect; leaving it for the ad hoc committee and the Assembly to

decide whether or not these or other measures shall be adopted.

THREE SETS OF PROPOSALS

We now have three sets of proposals before us - one presented by the Delegate of Guatemala, one by the United States delegation, and a third by the USSR delegation. None of us, I think, is at this stage prepared to do more than discuss the merits of these various proposals and in the hope that it may assist in the process of finding common ground on which to base a solution for the Palestine problem the Canadian delegation wishes to add its comments to the general discussion.

In the first place, we must recognize that what is contemplated by the report is a major political operation for the successful execution of which, if the General Assembly decides to take affirmative action, the United Nations itself must assume grave responsibilities. We are now confronted with a problem which will strain the resources and endanger the prestige of this organization, and it is urgently necessary, not only for the people of Palestine but for the whole United Nations that we find a solution.

If the political operation recommended in the majority report is to be undertaken, we must make sure that the means chosen have three qualities, in particular, namely, that they are constitutionally sound, practicable and effective. In our view, the withdrawal of the mandatory would create a legal vacuum in Palestine. The legal question, therefore, resolves itself into the question of what action the United Nations can take, or institute, whereby the legal vacuum may be filled in the manner contemplated by the majority report. In regard to the second point, the means chosen must be practicable. They must be the means best calculated to bring about a rapid and peaceful settlement in Palestine when the mandatory withdraws. There will be great administrative difficulties under any system. We must, by anticipatory action, endeavour to make sure that these admin-

istrative difficulties are kept to a minimum. Careful consideration should also be given, in advance, to the steps which could or might be taken by the United Nations should the settlement not work out peaceably in the manner contemplated.

What then could the United Nations do to take or initiate action whereby this major political operation might be brought about? Both the Guatemalan and United States delegations have suggested that the General Assembly itself might take responsibility for the administration of Palestine and carry into effect the majority report. However, the powers of the General Assembly, under Articles 10 and 14 of the Charter, are, explicitly, powers of "recommendation". To argue that it may establish subsidiary organs to enforce its decisions without reference to whether or not these decisions are acceptable to the parties concerned is to assume that these decisions are not recommendations, but commands. Our delegation, therefore, cannot reconcile such a construction with the plain language of the provisions of the Charter.

The United States delegation has proposed that the General Assembly "recommend" the emergence of the two states on the withdrawal of the mandatory power, and that the mandatory "hand over" governmental responsibility to the provisional governments immediately on withdrawal. The mandatory power would also be responsible, under the United States proposal, for maintaining law and order until withdrawal and for making preliminary arrangements, in consultation with an advisory commission appointed by the General Assembly, for the emergence of two states in Palestine under the arrangements proposed by the General Assembly.

The Canadian delegation believe that under Article 14 of the Charter, the General Assembly would be competent to make the proposed recommendation. Article 14 recites that:

"Subject to the provisions of Article 12, the General Assembly may recommend measures for the peaceful adjustment of any situation, regardless of origin, which it deems likely to impair the general welfare or friendly relations among nations".

It seems to me that the General Assembly could recommend the contemplated measures to the members of the United Nations (including the mandatory power) and also to the Arab and Jewish people of Palestine. I do not think that the General Assembly is limited legally under this Article, as to the states or persons to whom it may address its recommendations, or as to the measures it may recommend to adjust situations peacefully, or as to the situations it may deem likely to impair the general welfare. This authority is, of course, subject to the qualification I have already mentioned, that the Assembly cannot enforce its own decisions.

The position under the United States proposal, as I understand it, would be that the mandatory power, on withdrawal, would terminate the mandate, thus creating a legal vacuum in

Palestine which would however (all necessary preliminary arrangements having been made) be immediately filled by the emergence of the two projected states. The mandatory would, in effect, merely hand over the keys. The question of the international identity of the two states would presumably require to be followed by some ex post facto action by way of recognition (e.g. by admission to the United Nations) no legal obligation would be created by the proposed Assembly resolution and, from the legal point of view, the success of the United States plan would depend on the willingness of the parties concerned to co-operate in initiating it. The Canadian delegation believes, nevertheless, that the emergence of these two states could be accomplished in the way contemplated in the United States plan, if the necessary co-operation were forthcoming. On the other hand, unless there is this cooperation, the desired results might not be achieved. Failure of the mandatory, or of the Jewish or the Arab people to co-operate, or the active resistance of any of these, would prevent the accomplishment of the objective. The legal vacuum would not be wholly or satisfactorily filled.

This delegation is inclined to agree with the United States view that there should be no further transitional period following withdrawal of the mandatory. It seems to us that whatever settlement is decided upon, the sooner the people of Palestine accept direct responsibility for their government, the better. It now appears to us also that great practical difficulties would arise in administering Palestine during a transitional period under an international authority as provided in any of the three plans before us. It should be realized, however, that we cannot avoid a transitional period of some kind, between the date upon which a plan is adopted by the Assembly and the date upon which the mandatory power withdraws. It does not seem to us that the problem of this period can be dismissed quite as easily as has been done by the representative of the United States in response to questions which were asked on this point. What the situation calls for is a clear definition of the measures to be taken during the period of transition between the date of the Assembly resolution and the date of the withdrawal of the mandatory power.

TWO FURTHER POSSIBILITIES

Two further possibilities should be considered, one of these is the trusteeship system, to which the Canadian delegate referred briefly in his address before the ad hoc committee. The second is action through the Security Council, which is the basis of the Soviet proposal laid before this sub-committee.

If there were to be a further transitional period following the withdrawal of the mandatory power, an appropriate machinery, juridically speaking, would, I think, be available in the trusteeship system. I need not remind the members of this sub-committee that, under

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

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

USSR SUGGESTION

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

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

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

SOME PRACTICAL DIFFICULTIES

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

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

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

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

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

PROPOSED ARRANGEMENTS WITH NEWFOUNDLAND

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

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

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

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

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

TAKE-OVER STERLING DEBT

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

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

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

Provision is also made for a series of diminishing Transitional Grants to give Newfoundland time to develop new revenue-producing services. The transitional grant will be \$3,500,000 for the first three years and will diminish thereafter by \$350,000 annually. These transitional grants will not be included in computing tax agreement payments.

In view of the difficulty of predicting at all accurately how Newfoundland will fare financially under federation, provision is also made for a review of its financial position within a period of eight years by a Royal Commission with a view to recommending what additional financial assistance, if any, Newfoundland will need to enable it to carry its provincial services at then existing levels without resorting to heavier taxation, having regard to capacity to pay, than that of the Maritime provinces.

Representation of Newfoundland in Parliament is covered by existing legislation. The British North America Act of 1915 provides for six members in the Senate. The British North America Act of 1946, which provided for representation in the House of Commons on the basis of population, when applied to Newfoundland, provides for seven members in the House of Commons.

The "Proposed Arrangements" also provide that Newfoundland will be brought within the Maritime region so far as the regulation of freight rates is concerned. It will thus come under the Maritime Freight Rates Act which provides for a 20% reduction in freight rates on goods moving within or out of the Maritime region. Provision is also made for extending unemployment insurance benefits to workers in insurable employment, should they lose their employment within six months before or six months after union. Oleo-margarine may also continue to be manufactured and sold within Newfoundland but not exported to the rest of Canada.

It is anticipated that the "Proposed Arrangements" will be presented to the National Convention in St. John's. The National Convention is entrusted with the responsibility of making recommendations to the United Kingdom Government regarding future forms of Government for Newfoundland, the ultimate decision to be made by the people in a referendum. It will thus remain with the National Convention to decide in the first instance whether confederation on the proposed basis should be put before the people and, if so, for the people to make the ultimate decision. The Prime Minister's covering letter to the Governor states:

"The Government of Canada would not wish in any way to influence the National Convention nor the decision of the people, should they be requested to decide the issue of confederation. Should the people of Newfoundland indicate clearly and beyond all possibility of misunderstanding their will that Newfoundland should become a province

of Canada on the basis of the proposed arrangements, the Canadian Government, subject to the approval of Parliament, would for its part be prepared to take the necessary constitutional steps to make the union effective at the earliest practicable date."

MEMO TO SOVIET EMBASSY

SEQUEL TO EMPLOYEE'S SPEECH: The Acting Under-Secretary of State for External Affairs, Laurent Beaudry, handed to the Charge D'Affaires ad-interim of the Soviet Embassy, M.V. Degtiar, on Thursday, November 6, the following Memorandum:

According to the records of the Department of External Affairs, I.O. Scherbatiuk came to Canada in October, 1946, on Soviet passport No. 24152, and was registered with the Department as an employee of the Soviet Embassy. He had been issued with courtesy visa No. 965 for entry into Canada by the Canadian Embassy in Washington on October 22, 1946. On April 8, 1947, the Soviet Embassy applied to the Department for an identity card for him. This card, No. X186, was sent to the Soviet Embassy on July 31, 1947. Mr. Scherbatiuk is now listed with the Department as residing at 301 Somerset Street, Ottawa.

On July 27, 1947, Mr. Scherbatiuk gave a speech at a meeting of the Association of United Ukrainian Canadians held at St. Vital, Manitoba. This speech was reported in the August 6, 1947, issue of the Ukrainian language newspaper, "Ukrainske Slovo" (Ukrainian Word), in part as follows (translation):

"But there are to be found among the Ukrainians of Canada those who gladly unfold their bosoms to these traitors and bewail their hard fate. They share the hatred of the traitors towards their homeland because they themselves have already turned black from fierce hatred for the Ukraine and her heroic people, who, in fraternity with all the other peoples of the Soviet Union, have created real conditions for an abundant development of the Ukraine, which has been recognized by all the nations of the world as an independent and sovereign state. They believe in all the lies of the displaced persons because they themselves have long ago lost all sense of truth and honour. It can be said of these people that for a long time now they have made a bed of lies. They sleep on lies and cover themselves with lies. We shall leave this unworthy practice upon their conscience, for we know that a family is not without a degenerate. The Ukrainian people do not pay the slightest attention to this twaddle of the nationalists. The Ukrainian people are preoccupied with their own great and noble business - the business of socialist construction, the business of improving the material welfare of the working masses, the business of establishing a lasting peace throughout the world."

Since the Department of External Affairs wished to be certain that this report of Mr. Scherbatiuk's speech was accurate, the Department on August 21, asked the Soviet Embassy to be good enough to supply it with a text of Mr. Scherbatiuk's speech. Two months have elapsed since this request was made and the Department has not yet received a text from the Soviet Embassy. Moreover, the Department is not aware that there has been any official or other denial of the accuracy of the report of the speech in "Ukrainske Slovo."

The Secretary of State for External Affairs made a statement in the House of Commons on March 31, 1947, concerning the rights and duties of diplomatic and consular representatives. This statement reads in part as follows:

"It is clearly the right and duty of a diplomatic or consular representative of a country to use his best efforts to explain the policies and actions of his government and to clear up misunderstandings. Since we expect our representatives abroad to do this for Canada we should be the last to deny the same right and privilege to representatives of foreign governments in Canada. The existence of the right is one thing and the way in which the right is exercised is another thing. A foreign representative is guilty of an impropriety if, in the course of defending the actions and policies of his government, he uses

language which is clearly offensive."

Mr. St. Laurent went on to say that, if a Canadian representative abroad used clearly offensive language in a public statement, the Canadian Government could not object if the government to which he was accredited complained. In fact, the Canadian Government would itself reprimand him for having overstepped diplomatic propriety.

The considerations set forth by Mr. St. Laurent in this statement apply with equal, if not greater, force to persons who, like Mr. Scherbatiuk, are not diplomatic or consular representatives but are employees of a diplomatic mission.

If the report in "Ukrainske Slovo" is substantially accurate, Mr. Scherbatiuk in his speech used language which was not only clearly offensive but which was also calculated to promote ill will and hostility between different groups of people in Canada.

In order to prevent misunderstandings in future, the Canadian Government wishes to state that, should Mr. Scherbatiuk or any other member or employee of any diplomatic or consular mission in Canada use language in future which is similar in effect to that which has been attributed to Mr. Scherbatiuk, the Canadian Government will have no alternative but to request the immediate recall of the officer or employee concerned.